


Section: Who Owes Whom?

Lesson: You Want To Pay When? . Accounts Receivable


THIS SECTION: WHO OWES WHOM?

THIS LESSON...

“YOU WANT TO PAY WHEN?”
ACCOUNTS RECEIVABLE




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 **TEXTBOOK DEFINITION**

ACCOUNTS RECEIVABLE –

“Short-term amounts due from buyers to a seller who have purchased goods or services from the seller on credit.”




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 **“REAL” DEFINITION**

ACCOUNTS RECEIVABLE –

Money people owe you for their purchases...



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Accounts Receivable

Are You Going To Extend Credit?

- " Decide in advance
- " If so, set up criteria from the beginning
 - " Keeps you from looking unprepared
 - " Keeps employees from making that decision for you



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Accounts Receivable

Are You Going To Extend Credit?

- " Long term customer?
 - " And/or... Minimum level of purchases?
- " How do you determine maximum credit level?
- " Are you in a business that is required to report to credit agencies?


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Communication

A VERY big part of Receivables

At the beginning of the relationship...

- " How much credit will be allowed
- " When payments are expected
- " What will happen if payments are late
 - " Finance charges? Fees?
- " What will happen if payer defaults



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Communication
A VERY big part of Receivables

When each sale is made...

- " Invoice at time of sale or...
"Receipt of Goods" and then mail invoice?
- " "Usual" terms? Or special ones?
- " Current outstanding balance and amount of credit still open



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Accounts Receivable

Recording it on your books
 Show as one lump sum

Accounts Receivable -	\$23,765
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Divided by types

<u>Total Accounts Receivable –</u>	<u>\$23,765</u>
" Residential Receivables	\$10,609
" Commercial Receivables	\$13,156

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Accounts Receivable

Recording it on your books
 ALWAYS track A/R by customer

<u>Total Accounts Receivable -</u>	<u>\$23,765</u>
" John Doe	\$ 1,218
" Jane Smith	\$ 9,823
" Mark Peoples	\$ 2,104
" Mary Jones	\$10,620

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