Processing

The student has processed financial information for the entity's accounts receivable subsystem.

Elements of the accounts receivable subsystem

Aged Debtors Report

Preparing an Aged Debtors Report at the end of each month allows Kim Stone to view her debtors' payments and sales made in the previous month, also any overdue accounts. Stoneworld can benefit from an ADR by identifying slow paying customers. Kim will know who to contact directly for any overdue payments. **①**

The ADR I have prepared for April highlights the debtors that are at risk of becoming bad debts. For example, L Rooney owes Stoneworld a total of $2000 and has not made a payment for 3+ months. He is a risk for the business, as well as A Fonua who owes a total of $1800 and hasn't paid for 2 months. This can affect Stoneworld's cash flow and reduce the production of the business. **②**

Credit Checks

Kim has a credit check process in place for Stoneworld. Credit checking is an important part of a successful business as it highlights debtors with a bad credit history and identifies those who could be poor debtors in the future. Credit checking all customers will assure Kim that her debtors are capable of paying their account in full and on time. This highly reduces the risk of bad debt. **①**

Monthly statements

Sending out monthly payments is important for both the business and the debtor. It reminds the debtors of any overdue payments. Monthly statements display all information of purchases, dates, total amount and highly any overdue payments which require immediate attention. **①**

Accounts receivable subsidiary ledgers

Individual subsidiary ledgers are kept by Stoneworld so each transaction and payment can be recorded, as well as the date of the sale. Using these ledgers is good practice for the business as it keeps them organised and means that information about accounts receivable is readily available, when needed. An example of this is seen in the first part of the internal – the processing of the subsidiary ledgers.