

Processing

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

Elements of the entity's accounts receivable subsystem

Switched-On is an electrical supplies company owned by Pele and Lani.

Accounts receivable subsidiary ledger

The purpose of this is to enable the owners see the day-to-day situation with debtors. The subsidiary ledger is an accounting ledger that shows the transactions and payment history separately for each credit customer. This means you can see who owes money and how long it has been owed for.

Credit checking

Credit checking allows you to see the credit history of potential debtors. If you found out from the credit agency that someone who had applied for credit had had overdue accounts or bad debts in the past from other credit suppliers, you could make a decision that they could be too risky to take on as credit customers.

Reconciliation of subsidiary ledger and control account

When a customer calls to complain about an error, such as being charged for something they didn't buy, a reconciliation of the balances of the individual subsidiary accounts with the control account will not detect an error if the sale has been posted to the wrong customer account.

Statements

The purpose of a statement to debtors is to show the debtor what transactions have occurred. It shows the customer what sales have been made and what payments made. Also any other information like how long the customer has owed the debt.

Invoices

Switched-On issue numbered invoices and only Pele and Lani issue invoices.

Aged Debtors Report

The purpose of an aged debtors report for Switched-On is to divide the accounts receivable into groups, depending on how long debts have been owed for. The aged debtors report can provide a good idea of whether the debt is likely to be repaid at all. The older the debt, the less likely it is to be collected. Jones has a debt that has been owed for 3+ months. Jones might not even be able to be contacted. He might have changed phone numbers or address. He has got away without paying for three months so might never intend to pay. And because Switched-On has already done the electrical work for him, they can't go back and undo it.

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