

**Efficient Management of Accounts Receivable at CoreStaff, Darwin,
Australia**

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Efficient Management of Accounts Receivable at CoreStaff, Darwin, Australia

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A Research Paper
Submitted to the BRAC University
as a fulfilment of the requirement for the internship in
Masters of Business Administration

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Date: 19th August, 2018

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Letter of Transmittal

Dear Sir,

I, do hereby declare that the report titled: “Efficient Management of Accounts Receivable at CoreStaff, Darwin, Australia”- submitted to the BRAC University is part of my graduation requirement as a fulfilment for the degree “Masters in Business Administration”. It is my please to inform you that I have completed my internship at the Finance and Accounts Department of CoreStaff, a recruiting company in Darwin, Australia from 2nd May, 2018 to 31st July, 2018. In this report, I basically focused on the Accounts Receivables part of the Accounts Department and why and how to manage the receivables. This is an original work, and has not been used for any other purposes.

I would like to thank you for giving me the opportunity to write this report and for your support in it. I will be glad to clarify, if there are any discrepancies in the report.

Sincerely Yours,
Sumaiya Khan

Date: 19th August, 2018

Certificate

I have the pleasure to certify that the report titled: “Efficient Management of Accounts Receivable at CoreStaff, Darwin, Australia”, has been prepared under my supervision and guidance. To the best knowledge, it is the researcher’s original work.

I also certify that I have gone through the draft of the research paper and now I approve it for submission to the BRAC University, Bangladesh, as a fulfilment of the requirement for the Internship.

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Executive Summary

Accounts receivables is notable part of the current assets in a company, this is why it is highly important for managers and companies to effectively manage it. This report provides an in-depth information on the management of accounts receivables and its core importance for a particular company. For a company to run successfully, accounts receivable plays a huge role in it and this report mainly focuses on this issue and techniques and activities within the accounts receivables to ensure proper management of it.

The paper even highlights some of the policies and procedures involved in accounts receivables tasks. There are certain procedures involved when dealing with new customers and clients and how to do their credit check, so this paper will focus on shedding some light on these issues as well as issues relating to payment collection from debtors and what happens when a payment becomes a bad debt. Legal actions and procedures are included in it, all of which involves a certain procedure.

This paper will give a detailed description regarding all the information of account receivables, especially considering the fact that how it is dealt in a foreign country like Australia which may not necessarily be the same in Bangladesh.

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CHAPTER 1: Organization Profile

1.1 Introduction

The commercial recruitment and public employment services sector both operate within the Australian recruitment industry. In 2015-16, it was estimated that the recruitment services industry consisted of almost 7,000 businesses, generated \$11.2 billion in revenue and employed over 93,000 people. The size of organisations operating in the commercial recruitment sector in Australia is diverse, with over 90 per cent of organisations employing less than 75 people. In its simplest form, the commercial recruitment sector is the provision of recruitment services (permanent, temporary and contract) to a third-party organisation for a fee. Commercial recruitment agencies aim to operate a commercial recruitment business by supporting organisations to meet their employment needs. Thus, the business of the recruitment agencies is quite a booming business here in Australia and on that note, CoreStaff has begun its journey in this field as a recruitment agency in 2008.

1.2 Company Profile

CoreStaff is part of the CGH Group, one of Australia's leading providers of outsourced recruitment and human resources consulting solutions. CoreStaff strives on being the most energetic, flexible and customer focused organisation that delivers professional recruitment services throughout Australia. Founded in 2008, CoreStaff has grown rapidly from one branch in Darwin to having branches in every mainland capital city as well as a number of regional locations.

CoreStaff's rapid success has been due to establishing:

- A team of highly experienced and motivated recruitment specialists
- A culture of working hard and having fun
- Sustainable partnerships
- Effective networks
- Accredited Quality, Safety and Environmental Management Systems
- A secure and robust information technology platform.

CoreStaff provides labour hire service to a range of industries and job classifications providing flexible workforce solutions to help organisations meet the changing demands of their workforce.

It can even provide staff to meet short term requirements from as short as 4 hours, or to fill long term requirements where maintaining flexibility is a key objective.

Under a labour hire model, staff are directly employed by CoreStaff and are responsible for managing payroll and risk and simply charge an hourly or daily rate for the time staff are required.

1.3 Company Subsidiaries

GOAL, OPRA and Beilby are associated with CoreStaff, the CGH Group as its subsidiaries. Focus 360 and VMAC are also sister concerns of the company CoreStaff, however, Beilby, OPRA and GOAL are part of the company's accounting systems while the others are still quite new and are on the process on being bigger. But CoreStaff's main operations are run in their head office which is based in Darwin, Australia. Other branches all over Australia are all operated from its own geographic locations, however, all accounts related tasks are done in the head office in Darwin, Australia.

1.4 Vision

The actions of CoreStaff drive their overall vision - to be recognised as making a positive impact in how outsourced recruitment services are viewed through the education of industry around practical, robust, long term based solutions. Their vision also describes the aspiration for the future.

1.5 Mission

The CoreStaff mission is simple:

“Our Staff... Your Staff... CORESTAFF”

The mission statement emphasizes on the company's inclination towards fulfilling the need of the people by offering e expert, results focused solutions that have a positive impact. Over the years, CoreStaff has been successful in getting in more clients in their customer base, which in fact is increasing every day capturing as much as customers as possible all over Australia widening their range even in New Zealand now.

CHAPTER 2: The Report

2.1 Rationale of the Report

Poor management and control of accounts receivable often results to disruption of the firm's daily operations caused by cash flow problems which results to non-payment of suppliers of goods and services, non-payments of employees and inability to meet statutory obligations. The overall effect is non-supply of materials and services leading to disruption in production, a demotivated workforce and penalties from authorities. Poor management of accounts receivable impacts negatively on profits in two ways; first, bad debts written off reduce the firms' profits directly in the profit and loss account; Secondly, when a lot of funds are tied up in accounts receivable, the company may find itself borrowing funds to finance operations; these borrowed funds attracts interest which also reduces profit. Other than the bad debt and interest expense, there are legal expenses associated with collecting debts. Ineffective management of accounts receivable may result to poor credit rating from financial institutions. This makes it difficult to obtain financing from the institutions to finance the firms' working capital and if it does then it is at a high interest rate since it is unable to negotiate for better terms. Severe liquidity problems caused by so much funds held in accounts receivable may lead to total collapse in production since the firm can no longer meet its financial obligations, which in extreme cases, may lead to the firm becoming insolvent and consequently being placed under receivership. Thus the stakes associated with poor management of account receivables can lead to high consequences.

2.2 Statement of the Problem

Many businesses do not have the time, expertise or resources to appropriately administer the accounts receivable and the closely related business functions (Voi, 1999). Effective management of the credit and accounts receivable process involves cooperation among sales, credit control marketing, finance and accounting function staff (Megginson 2008). Management of accounts receivable is made complex by the fact that it involves credit control, sales, marketing and finance functions of the business (Cooper 1985). These four functions must therefore strike a balance against their conflicting interests for the management of this important asset to be effective. If these important functions are not effectively managed, the company can be exposed, to potentially fatal long-term losses. It is therefore crucial that management formulate principles and practices that result to effective and efficient management of this sensitive yet important asset of accounts receivable to ensure that high turnover resulting from credit sales result to improved cash flows and higher profitability.

2.3 Objective of the Report

The main objective of this report was to investigate and put forth what has been learnt from the internship program about the effective management of accounts receivables. The main target of the report is to bring forward some strategies and techniques for optimizing the accounts receivables of a company. As mentioned earlier, credit control is one of the most important part of effective management of accounts receivables, so this report will highlight issues on how to tackle the problems associated with accounts receivables.

2.4 Significance of the Report

The report will have a certain amount of significance on the following:

Financial Managers: It will give an insight to management especially the chief finance officers in identifying critical areas in accounts receivable management and the best practices to employ to effectively manage the company's accounts receivable.

Credit Control department personnel: It will point out areas of weaknesses in the existing credit practices that inhibit effective control of accounts receivable and give recommendations on the best practices to employ in order to achieve optimal efficiency.

Researchers: It will be of importance to other researchers who may want to carry out further research on management of accounts receivable since it will provide a report on current practices in management of accounts receivable in the manufacturing industry and give recommendation on areas that need further research.

2.5 Limitations of the Report

The study focused only on management of accounts receivable of recruitment firms based in Australia. Scenario may be different in other industries of the job world, and moreover might face other array of situations when looked into Bangladesh.

CHAPTER 3: Literature Review

3.1 Introduction

Accounts receivables is broadly defined as the sales that have already been made as well as delivered, but not yet paid for it. This is called selling it on credit. The money is owed to the company or the firm because of selling a service or product on credit terms. Thus, it means that the company doesn't receive cash for it immediately. (Pandey, 2004). Therefore, one of the important characteristic of accounts receivables throughout the decades has been the whole idea of tracking, because of its nature of providing customers on credit. It is essential to keep a record and monitor of who owes money because these debts eventually require to be paid off for the company's profitability. The whole concept of accounts receivables varies from accounts payable, which are a list of outstanding invoices that you or your business has not yet paid to other people

Accounts receivables includes a very thorough and correct credit application process, procedure and approval because there is always a risk of payments being delayed or even no payment. So this is why, one of the important parts of the management of accounts receivables involve the correct and proper selection of customers which comes about from the process of credit applications and credit approvals (Hrshikes, 2002). However, no matter how much risk is involved in it, or the idea of receiving the payment later sometime in the future or maybe never at all, it is still one of the main characteristic of account receivables because it acts as a boost up of sales for the companies eventually optimizing the company's profit as well as the means of building a retaining business relation with the customers (Barad, 2010). As Damilola writes in her own paper that the purpose of offering credit is mainly to maximize profit (Damilola, 2005). So this is where the risks associated with it evolved for which reason proper management of accounts receivables is required. The effective management of accounts receivables comes about through proper strategies adopted and carried out by companies. Team work, credit control, marketing, finance and accounting functions altogether in a company builds up a strong accounts receivables. (Megginson 2008)

Managers are always working for ways of maximizing returns so that they spend much of their effort watching costs and managing the day to day operations of the business often ignoring crucial assets such as accounts receivables which arise from credit sales transactions (Nealon 2003). Selling on credit is almost a universal practice especially for manufacturing firms who sell primarily to other firms. Studies reveal that almost all the sales are entirely on credit terms making accounts receivable to account for a significant proportion of the firms' current assets.

3.2 Meaning and Definition

Accounts receivables measure the debts that is owing to the firm or company by customers due to the sale of products or services (Joy, 1978). According to the International Financial and Reporting Standards (IFRS) and International Accounting Standards (IAS), accounts receivables are recognized and measured according to IAS (39) and in accordance with IFRS (7). IAS (39) relays that the trade debtors are measured at their fair value and IFSR (7), on the other hand, set out the requirements for the evaluation of the significance of the financial instruments for a company or firm's financial position and performance and the associated risks with it. These risks include credit risks, liquidity risks and market risks when dealing in accounts receivables. Trade credit creates receivables which the company has the right to and is expected to collect sometime in the future. As mentioned earlier, accounts receivable is basically money owing to a firm which means that it sells its products or services on credit and does not receive cash immediately (Pandey, 2004). Selling on credit is a very common practice among companies since it helps to boost their sales. It has been observed that it acts to be an enticement for customers in retaining their business relationship with the company because it aids in the company's turnover to follow a multiplying effect, eventually maximizing their profit (Barad, 2010).

3.3 Characteristics of Accounts Receivables

Accounts receivables is the debt owing to the company when the firms sell its product or service on credit to the customer which means that there is no receipt of immediate payment by the customer. Keeping the meaning of accounts receivable in mind, the accounts receivable can be classified into having two prominent characteristics. The first one being the credit risk associated with it. Credit risk is the risk or the potential loss that may arise if the credit customers are not able to oblige to their terms and conditions and are unable to make their payments. However, from the other side, that is from the company's point of view, when the company sells a product or service to a customer on accounts, it assumes and accepts the risks associated with it since they are not receiving payment for it right away and they don't even know when or even if they will receive the payment in the future. Therefore, the existence of credit risk is one of the prominent features of accounts receivables which comes about with it by default. There are a number of reasons that a customer may fail to oblige to terms and conditions some of which being competition in the market, inferior quality, poor pricing or even for poor management of the accounts receivables department themselves. The time value of money is another characteristic of accounts receivable. The value of money today doesn't remain the same tomorrow, all due to economic problems such as inflation.

CHAPTER 4: Activities Undertaken

4.1 Nature of the Job

In CoreStaff, every day a range of different transactions occurred and those transactions had to be recorded in their corresponding software, which was the Microsoft Navision. Accounts payable and accounts receivable both use this software to enter their corresponding transactions when it occurs. My task was on the accounts receivables side, so I dealt mostly with the cash receipt journals and payment journals, making entries as daily transactions occurred.

4.1 Responsibilities and Different Aspects of the Job

In Finance & Accounts department as intern I was supposed to perform different activities of CoreStaff and it was the following:


4.1.1 Cheque information entry & Cheque deposit: In the first hour of office I was supposed to maintain an excel sheet of the cheques to be deposited; which have been received against accounts receivable. The information I was supposed to maintain about the cheques were - the cheques were of which bank, in which bank it is going to be deposited, cheques amount & cheques number. After entering all the information, the cheques deposit slips need to be filling up before cheque deposit. In depositing the cheques choosing the right bank account was important. So this was classified into the different states there is CoreStaff – NSW, NT, QLD, SA, VIC, WA. It was important to make sure that the correct cheque deposit slip was being filled out against the cheque to be deposited. A VIC cheque written on a NSW cheque deposit slip will cause the cheque to bounce back.

4.1.2 Cash Receipt Journal: Every day, after the first hour of cheque information entries and deposits, the second task of mine was to enter the cash receipt and payment journals for the day before. I had access to the company's online bank records, so I had to print out the bank entries for all the states of Corestaff (since I was working in the head office, had to do all) as well as the remittance received from the corresponding customers for the payments that they have made. After printing it all, the task was to enter the entries making sure that the dates, customers and amount entered are correct so that changes are not required to be done after posting it.

4.1.3 Bank Reconciliation: At the end of the month I was supposed to do the bank reconciliation. Bank reconciliation is the process of matching the balances in an entity's accounting records for a cash account to the corresponding information on a bank statement. The goal of this process of the bank reconciliation in CoreStaff for me was to ascertain the differences between the two, and to make changes to the accounting

records as appropriate, ensuring that it eventually matches or equates. Reconciling the account at the end of every month meant to prove that the account balance was correct

4.1.4 Handling the Credit Applications: Creditors play a huge role in accounts receivables, they are the customers which builds up the entire tasks of the accounts receivables department and from whom we receive the money for the services provided. So, one of the main goals of CoreStaff is to increase their horizon of the customer base as much as possible, so whenever a new customer or client comes about, a certain procedure is followed before making sure that we take that customer on board to be out customer. Certain terms and conditions must be met along with reference checks to make sure that the customer has no bad record. The picture below shows an example of a credit application form which is filled out by the new customer to keep it as a record for future reference. My task here was to check the client with the trade references provided. I used to call them up and ask about the client and its history with them to make sure they didn't have any bad record. If there were anything that wasn't so pleasant, the credit application used to go to the senior hierarchy to evaluate them and look further into them to find out more about them. Running a credit check helps your accounts receivable department get a complete picture of the other company's financial health before offering credit terms



Head Office Contact Details
P: 08 8942 8666 | F: 08 8942 6699
18 Swan Crescent, Wembley, NT 0800
GPO Box 1113, Darwin, NT 0801

CREDIT APPLICATION

Thank you for choosing CoreStaff, we look forward to working with you.

Terms & Conditions

- Please supply full details when completing this document.
- Please ensure you read and understand all Terms and Conditions contained herein.
- To accept the Terms and Conditions contained herein please ensure this document has been correctly executed.
- Each page must be initialed.
- Once completed and executed please return a copy via ar@gh.com.au and post the original to GPO Box 1113, Darwin NT 0801.

ITEM 1: CUSTOMER DETAILS	
<small>(Select Company structure)</small>	
COMPANY LEGAL NAME	PUBLIC COMPANY <input type="checkbox"/> PRIVATE COMPANY <input checked="" type="checkbox"/> PARTNERSHIP <input type="checkbox"/> SOLE TRADER <input type="checkbox"/>
TRADING NAME	CIVX Pty Ltd
ADDRESS UNIT	ACN 603 953 019 ABN 53 603 953 019
YEARS TRADING	3 years ESTIMATED MONTHLY SPEND \$10,000.00
ITEM 2: INVOICE BILLING ADDRESS <small>(CoreStaff's payment terms are 14 days from date of invoice)</small>	
ADDRESS	AS ABOVE
ACCOUNTS PAYABLE CONTACT NAME	STACIE GRAY
PHONE	0417 056 159
EMAIL ADDRESS FOR INVOICES	accounts@civx.com.au
ITEM 3: CUSTOMER'S OCCUPATIONAL HEALTH AND SAFETY CONTACT	
NAME	ELYSHIA EATHER
PHONE	0412 118 832
POSITION	OFFICE MANAGER
EMAIL	office@civx.com.au
ITEM 4: DIRECTORS/PARTNERS/SOLE TRADERS	
NAME	WAYNE MCAULAY
ADDRESS	128 CHARCOAL RD SOUTH MAREEBA
PHONE	0455 502 489
POSITION	DIRECTOR
EMAIL	wayne@civx.com.au
ITEM 5: TRADE REFERENCES <small>Please provide the details of three companies your business has established credit with previously</small>	
COMPANY 1	CENTURY ELECTRICAL WHOLESALERS
PHONE	0451 041 204
CONTACT NAME	BENJAMIN CREIGHTON
EMAIL	bcreighton@century.com.au
COMPANY 2	WILKZ ELECTRICAL SERVICES
PHONE	0449 885 783
CONTACT NAME	ALICIA WILKINSON
EMAIL	accounts@wilzelectrical.com.au
COMPANY 3	NORWEST CONCRETE SOLUTIONS
PHONE	0447 512 525
CONTACT NAME	BRENTIN DAVIDSON
EMAIL	accounts@norwestconcrete.com.au

AUTHORISED REPRESENTATIVE MUST INITIAL HERE >>> *WM*

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Revised by: A. Macdonald
Revised Date: 01/04/2018

4.1.5 Setting up new clients: Another task, which wasn't a regular one though was to set up a new customer or client in our system after passing through all the credit application steps and being approved by the senior hierarchy and legal affairs. CoreStaff used an online portal called FastTrack where any new customer on board would have to be set up so that payroll team can move further with it and make payments through that. We, the accounts receivables team on the other hand, had the task of setting them up both in FastTrack and in NAV. It was neither the Accounts Payable nor the Payroll team to set up any new clients, so I was in charge of doing this after approval was received to set them up.

4.1.6 Accounts Reconciliation: This is basically an excel spreadsheet where transactions of individual chart of accounts were imported and recorded to make sure that at the end of the month, it balanced out. This was done at the end of every month when all transactions for that month has been entered. The accounts reconciliation was done to keep it as a record and to ensure the fact that at the end of every month, the balance equalled out and if it didn't, we had to make sure that it did. Investigations followed up on my side to find out the difference and why that difference occurred and to bring it to a balance.

4.1.7 Overdue Customer Accounts: There are always customers in the company who have outstanding payments and one of my main tasks was to deal with that. I had to establish contact and try to resolve the outstanding payment matter by determining the correct mode of communication to collect the payment. This followed an organisational procedure, which, after a certain point of time, if the payment was still not collected, we had to approach to legal approaches to collect the payment. This is one of the main and important tasks of accounts receivables around which the whole idea of management and effectiveness of accounts receivables revolve, which this report highlights the most on.

CHAPTER 5: Challenges & Improvements

When working for a company or when being part of a company, it seems easy to extend credits to all the customers to boost sales and increase the customer base of the company however, no matter how appealing it seems to be for the company having greater sales hence greater profitability, this can be quite a nightmare for the accounts receivables. Not all the customers are going to be as good about paying their debts. Situations will arise where accounts receivable department might have to waste hours trying to get payments, only to have them arrive late or not at all. So, there are several challenges when in accounts receivables and I myself have seen it and faced it, and it's not as easy as it seems from the outside.

1. *Accepting Cheques*: the accounts receivable department of CoreStaff offers different modes of payment to its customers for their feasibility to make payments as soon as possible. Among all the methods of making payments, accepting cheques is one of them where I had to handle that, but who loves writing a check, sticking it in an envelope, buying a stamp and mailing the payment to the bank to make sure it hits our bank account. Not that it's too much of a hassle, but it's just that it takes a much longer time than any other forms of payment received. It takes a day to receive the cheque from the subsequent client, then my task is to write the cheque, chuck it into the envelope and send it to the bank which required a day's time to hit our bank as receipt. However, this honestly didn't bring about any resort to the issue because this is an option that is available to the customers that the companies had to offer for their ease, in case they wanted to pay by cheque

2. *Keeping the lines of Communication Open*: Another area of challenge was the communication error which occurred within the own accounts receivable department. If a customer calls in with questions or to decide for an invoice, it's easy for one member of the team to know about and others not. You don't want your accounts receivable department calling a customer who's already talked to someone else in the same department. It reflects poorly on your business. And that's what happened at times, which was quite a challenge and hurdle in the way, but that was later very easily rectified with everyone on the accounts team being on the same ground and having absolute transparency when communicating with customers. The account teams had a common shared folder in the server which used to be updated whenever any one of the accounts team members did any task to let the others know about it.

3. *Chasing for payments/Payment reminders*: To keep your accounts receivable department running smoothly, be very careful about who you extend credit to. This might mean that some of your orders are smaller since the customer needs to pre-pay it, but in the long run, it's worth the caution. Let your customers

build credit with you slowly and restrict anyone who takes advantage of the payment arrangements. One of the important task of accounts receivable was to chase payments from customers if there were any overdue ones and this was a common thing. It was very rare that payments were made on time by the customers, so chasing up the customers for payments was a must do for the accounts team. There were obviously certain organisational policies and procedures to follow when chasing payments, but this was a challenge, but it was not always that the customers paid right away. We had to follow up with them every now and then and keep track to make sure that they make the payment. So, chasing for the payments wasn't always something that the customers always appreciated. Thus, these payment reminders only led to waste of time, late payments and sometimes even back and forth communication chain and it was not always easy to remember as well to chase for the payments on time. So, we had an automatic notification system built in our ERP software, Microsoft Navision which used to send us notifications of the customers based on the date and their balance outstanding.

4. Credit Check: Running a credit check helps your accounts receivable department get a complete picture of the other company's financial health before offering credit terms.

One part of credit check required to contact the trade references provided by the customers. The task was to call them up and ask a couple of questions as per the organisational procedures and policies. However, this was not something that always went well. The trade references were not always cooperative and didn't always appreciate the fact of being called and asked about other companies. They were times when they were rude and showed absolute unwillingness to cooperate and be nice. So, there were times when this stood up as being a challenge but still, credit check was something that had to be done and we just had to do our task of cross referencing with other companies. It usually is recommended that when a customer puts up other companies as trade references, they should talk to them first and give them a heads up that they might be receiving a call soon regarding a credit check, but not every customer does this beforehand.

CHAPTER 6: Lessons – Management of Accounts Receivables

Accounts receivables is often considered to be one of the biggest current assets of the balance sheet so the main objective in accounts receivable management comes about to the idea of minimizing the Days Sales Outstanding (DSO) and processing the costs while maintaining a good customer relation. If the main aim of accounts receivable was only to boost sales, then companies would have opened up and welcomed credit sales a lot more than they offered and at the same time, if the aim was to minimize the bad debts, then companies would have shut themselves up completely to offering any sort of credit sales. This is why, it is said that accounts receivables should focus in expanding and growing their sales value by the means of keeping the risks under control within manageable limit of the firms.

While working closely with the accounts receivables team in CoreStaff, I have found out that there are certain minor activities which can lead to some unintended consequences to the company, the following being some of them, like:

- overlooking the inaccuracy of invoices and payment terms of customers and allocating payments incorrectly into the system
- allowing sales reps to override the credit limits which result in suffering losses from bad credit risks

Thus, throughout my entire internship period and from the knowledge that I have gained from my MBA program, I have learnt a lot of lessons of how to ensure the quality of accounts receivables and some techniques and activities within the accounts receivable department which, if optimized, can help the company free up cash and strengthen the working capital as a whole and enhance the quality of it as well:

1. Management of customers with overdue accounts and credit histories

For the customers with balances outside or greater than the standard trading terms, the accounts receivable employee should identify the most appropriate action to take in relation the reasons of why the amounts owing are still outstanding. The first step is usually to contact the customer directly and to find out about it where the accounts receivable office will have to bear in mind the customer service principles which means being polite and courteous at all times. There is always the possibility that the customer can move to another organisation, which is why the customer service principles are always reminded to accounts receivable officers. However, this should play hand in hand with the notion that the services or products provided requires to be paid within the agreed payment terms. The customers who do not make their payments on time create cash flow problems where the cash outgoings such as rent, wages exceed the cash coming in. Therefore, one of the first policies to follow for effective management of accounts receivable involves the customers themselves and the proper and gentle way to deal with them with their overdue accounts.

2. Customer data

Customer data is the data provided by the customers at the very beginning when a credit application was submitted. Once it has been approved, all the data are stored in the system for future references and to conduct business relationships with them based on that information. It is not necessary that all the customers will be of the same nature and will have the same terms and conditions. So, once the credit limits, payments terms, discounts and all are all set and finalised, it should be accurately imported to the customer card in the organisation system. This creates quick and easy access for the organisation to customer information.

However, getting the information incorrect is considered more than a data entry glitch. For instance, if an incorrect address is entered, invoices will go to the wrong place and receivables will slow down. Likewise, if the master data indicates payment terms of 60 days when it should be 30, payment will not be received on time. Therefore to get most of the data and to ensure proper activities around accounts receivables, the following should be done:

- Document and communicate all changes to customer data – if there are any changes occurring, then it should be reviewed and approved by the finance team of the company
- Implement controls to ensure data accuracy and permit read-only access to the staff to make sure they don't override customer data without proper sign-off

3. Invoicing/billing

Invoicing sounds to be one of the easiest tasks of all, however this is quite a tedious one which requires a lot of proper attention and accuracy. One of the major issues is the failure to generate the invoices on time, delays are always an issue which is a big hurdle because it leads to late payments. There are other times when the units of measure, prices or the customer accounts are incorrectly entered for the invoice. In some other cases, companies even go back and forth between emails regarding invoices which results in confusion. Since this is mainly the task of payroll, it still holds a crucial part in accounts receivables as it leads to payment to be received from the customers, the main aim should be to come up with an updated billing process to ensure that the invoices are always sent out to the customers on time and most importantly, accurately. The companies can adopt the method of automation in the system to avoid human errors and even reduce the time required to generate the invoices.

4. Cash application process

When payments are received, the task of the accounts receivables officer is to enter those receipts in the system using the cash receipt journals. Thus, when entering these in the system, it is highly encouraged for the employees to be well aware because it is important that the payments are applied correctly to the right

customers as well as to the right customer invoice it relates to, otherwise it will never be easy to identify which invoices are outstanding and for which customer. If it is entered and applied correctly, it will make it easy to look back to the customer and check their outstanding invoices and send them reminder emails. If this was wrong, it wouldn't have matched with what was in the customer's systems and would only lead to greater confusion resulting in further delays in the outstanding payments. Companies that get this wrong often have to waste a considerable amount of time and resources behind it involving tasks like reissuing the invoices and even amending reconciliation reports where the systems are usually not cooperative enough to "reverse" incorrect cash applications. To avoid this, some key points in mind can help in proper cash application process:

- Applying and allocating payments to the correct and specific invoices instead of just crediting the customer accounts
- Following up on cash receipts that were not identified
- Applying payments on time when received, avoiding delays to maintain absolute accuracy of the accounts

5. Average Collection Period

As mentioned earlier, effective accounts receivables constitute of practices to collect payments on a timely manner. Thus, the average collection period comes handy to the companies to actually make a mathematical calculation to estimate when they are expected to received their debts accruing. The average collection period is more of a mathematical and technical term used to show or calculate the average number of days that is needed to collect the debts outstanding from the customers. This is a very common calculation used by majority of the companies. The lesser the value, the better but the situation is different when the collection period shows a larger value which means that it will take a much longer time to collect the receivables. With the help of this, the firms should be able to compare the average collection period of their standard credit terms. If the credit terms seem too stringent, that's when companies should make amendments where necessary with more lenient terms and conditions in order to ensure that they receive the payments. This is used by firms to follow a trend analysis to compare the collection periods throughout a certain period of time. The accounts collection period is mathematically calculated by using the formula below:

$$\text{ACP} = \frac{\text{Average accounts receivable}}{\text{Credit Sales}} \times 365$$

6. Writing off bad debts

For every organisation, there comes a point in time when organisations do not go digging for the overdue amounts and just decide to write that off. Thus, if the customer is unlikely to pay, and the organisation decides not to pursue the debt via the legal system, it is very important for the company to write that off as bad debts in their accounts. Sometimes, many organisations might just leave that as it is, however, that doesn't imply effective management of the accounts receivables. It should be written off as bad debts to make sure that the accounting records are true and correct. The write off should be approved by someone possibly the finance manager or financial controller in the organisation in accordance with the chart of authority. Once this has been approved, the accounting entry (journal entry) will need to be posted to the accounts receivable ledgers and the bad debt reflecting in the profit and loss of the organisation. If the debt is subsequently paid in the future, a reversal of the bad debt can be made at that future time.

7. Accounts Receivables Aging Schedule/Report

The accounts receivables aging schedule is another technique to determine the credit balance needed in the account allowance for doubtful accounts. This report breaks down the balance owed by each of the customer according to the time period that the debt has been outstanding and this is based on the invoice date. The method involves sorting out the company's accounts. It helps to provide useful information about the state and quality of the company's accounts receivables. In other terms, it can even be said that this report helps to detect the invoices that are being paid slowly or are overdue which will be followed by collection calls to the customers.

Aged Accounts Receivable

Corestaff SA

Aged as at 25. July 2018
Aged by Due Date



No.	Name	Avg. Days	Balance	Not Due	Aged Overdue Amounts			
					1 - 7 days	8 - 14 days	15 - 21 days	More than 21 days
400001183	Ballestrin Construction Services Pty Ltd	110.64	170,159.57	49,439.83	0.00	0.00	0.00	120,719.74
400000521	BHP Billiton IO Mining P/L Olympic Dam	38.41	825,455.34	569,552.10	0.00	0.00	0.00	255,903.24
400001344	Concrete Remed8 Pty Ltd	11.50	15,210.67	4,550.29	2,759.35	2,670.31	2,534.84	2,695.88
CCR	CoreStaff Costs Recovered	0.00	-400.00	0.00	0.00	0.00	-100.00	-300.00
400001113	Crane Services Pty Ltd	83.50	938.08	0.00	0.00	0.00	0.00	938.08
400001343	Cristal Mining Australia Limited	10.00	5,135.59	3,095.40	0.00	2,040.19	0.00	0.00
400001245	ElectraNet Pty Ltd	48.25	2,231.08	0.00	0.00	0.00	0.00	2,231.08
400001157	Geotech Pty Ltd	39.50	1,036.63	0.00	0.00	0.00	0.00	1,036.63
MAX	Max Solutions Pty Ltd	11.00	93.50	0.00	0.00	93.50	0.00	0.00
400000105	McMahon Services Australia Pty Ltd Adelaide	163.57	122,272.28	111,016.33	0.00	0.00	0.00	11,255.95
400000485	McMahon Services Australia Pty Ltd Adelaide Events	0.00	9,736.60	9,736.60	0.00	0.00	0.00	0.00
400001198	McMahon Services Australia Pty Ltd Asbestos Services	0.00	6,160.00	6,160.00	0.00	0.00	0.00	0.00
400001142	McMahon Services Australia Pty Ltd Port Augusta	0.00	34,262.31	34,262.31	0.00	0.00	0.00	0.00
400001301	NRW Pty Ltd (Carapeteena Project)	10.00	11,003.77	0.00	0.00	11,003.77	0.00	0.00
400001356	Perilya Broken Hill Limited Perilya Broken Hill Limited	19.20	285,671.29	194,735.69	50,520.04	10,764.34	3,631.72	26,019.50
400000664	Sandvik Mining and Construction Australia Pty Ltd Pro	25.00	19,273.38	10,161.08	0.00	0.00	0.00	9,112.30
400001370	Sandvik Mining and Construction Pty Ltd	25.00	17,064.07	15,413.54	0.00	0.00	0.00	1,650.53
400001417	Sitzler Sitzler	6.50	3,857.70	1,041.15	1,775.40	1,041.15	0.00	0.00
400001414	T.C. Formwork Pty Limited	17.00	3,550.80	2,469.50	0.00	0.00	1,081.30	0.00
400001342	Territory Trade Services Territory Trade Services	0.00	11,642.40	11,642.40	0.00	0.00	0.00	0.00
400001116	Toll Mining Services	1.00	230,766.03	172,881.96	57,884.27	0.00	0.00	-0.20
Total (LCY)		16.29	1,775,121.09	1,196,158.18 67.4%	112,939.06 6.4%	27,613.26 1.6%	7,147.86 0.4%	431,262.73 24.3%

The figure above shows a snapshot of the aged accounts receivable report of one of the accounts of CoreStaff (CoreStaff SA – Adelaide). It lists all the customers of CoreStaff SA's accounts and their corresponding amounts due aged by the due dates. Here, the length of the periods were given as 7 days for which it breaks down into 7 days period. Most of the other aged reports which are commonly run as well includes the length of the period to be 30 days. The report depicts that one of the CoreStaff SA's customers, McMahon Services Pty Ltd Adelaide is due a large amount of money for a long period of time. This calls for attention to the accounts receivables officers to contact them and check why the payments have not been made from their side. This report helps to look at the entire picture of the account altogether in one go where all of the accounts are summarized together. These reports should be generated on a regular basis to keep continuous track of the status of the accounts receivables, thus it is highly recommended to do this after every two weeks. This helps to keep the accounts receivables officers to be on track with those who owe money.

8. Customer credit approval

A credit limit is the maximum amount of credit that a financial institution or other lender will extend to a debtor for a line of credit (sometimes called a credit line, line of credit, or a tradeline). So, it should be determined when to assess the credit limit. Depending upon the volume of intake or how much the customer is buying, the credit limit is based on that. In situations where a new customer is interested in purchasing large volumes on a regular basis, the company may need a more stringent process, such as full background and credit history checks to check their credit worthiness.

Customer credit is one of the most important aspects of accounts responsibilities, therefore it is highly important for any company to emphasise most on this process of credit approval. For effective management of accounts receivable, companies should review their credit approval process on a regular basis. Industries and companies change as a whole due to the changing environment. This means that the risk profiles for those companies change as well, thus this calls for a regular review of the credit process. Based on the company profile and scenario around, it is sometimes important to review the process for changes where appropriate.

The next issue which should be highlighted when in the topic of customer credit of the management of accounts receivables is the commitment to approve or reject credit applications. Often, companies lack policies regarding the time to be committed to credit applications. In CoreStaff, we had a strict policy of approving or rejecting a credit application within 10 days of times, because lagging it only meant resulting in lost sales and straining the relationship between sales and finance – a relationship that demands cooperation if companies hope to realize long-term success. Thus, credit applications shouldn't be hanging

for long. It should be worked on as soon as possible. On the same note, sometimes it may even be observed that credit applications have been approved without much of credibility check just because the credit check time was taking too long. However, this itself is not right in its place cause it may seem to bolster the sales for that time being but you never know how the picture might end up to be if their credit worthiness is not trust worthy enough in the long run.

CHAPTER 7: Conclusion

Accounts receivables – it is good because it means that the company has sales and customers but on the other hand, it is bad because it is the cash that the company doesn't have now and there is always the risk that they might not even collect. This is why it is extremely important to have a proper system in place to manage the accounts receivables and this is basically what the entire paper revolves around.

It is assumed that it is pretty simple to make sure that the services are provided well to the customers, however, in the process of doing that, sometimes the firms tend to sway away from the minor business operations that allow the business to run in a smooth manner. Proper management of accounts receivables as well as accounts payable is very important to sustain in the business world. It just requires the correct processes and regular review of the system, accounts and data in accounts receivables to ensure its credibility and sustain the quality of it. It is always advisable to record transactions in the system by using software's since it helps to avoid human errors, speed up tasks as well as to track the customers.

In conclusion, the main objective of accounts receivables is to prevent from having any bad debts. The objective should be able to ensure that the customers to whom the products or services are provided have a good credit worthiness and reliability. However, this doesn't mean that it should only revolve around the customers and their credibility but should also focus on proper invoicing and processes and communication plans

CHAPTER 8: References

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