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ACCOUNTS RECEIVABLE (AR)

CHEAT SHEET & PRACTICAL GUIDE

Learn Today, Lead Tomorrow.

1 WHAT IS ACCOUNTS RECEIVABLE?

Accounts Receivable (AR) is the amount customers owe to the business for goods or services delivered on credit.

KEY POINTS

- AR is a Current Asset.
- It represents money owed by customers.
- Good AR management improves cash flow.
- Timely collection reduces bad debts.
- Accurate AR ensures accurate financial statements.

2 AR PROCESS FLOW

1. Customer Order ↓
2. Goods / Service Delivered ↓
3. Issue Tax Invoice / e-Invoice (MyInvois) ↓
4. Record in Accounts Receivable ↓
5. Follow-up & Collection ↓
6. Payment Received ↓
7. AR Closed

3 IMPORTANT DOCUMENTS

- Sales Order / Quotation
- Delivery Note / Goods Delivery Note (GDN)
- Tax Invoice / e-Invoice (MyInvois)
- Customer Statement
- Payment Receipt / Bank In Slip
- Collection Letter / Email
- Credit Note (if any)

MALAYSIAN COMPLIANCE

- ✓ Issue e-Invoice via MyInvois (where applicable)
- ✓ SST (Sales Tax & Service Tax) where applicable
- ✓ Comply with LHDN record retention requirements
- ✓ Follow credit terms agreed with customers
- ✓ Maintain proper documentation & approval

4 JOURNAL ENTRY (EXAMPLE)

At the time of invoicing (on credit):

Account	Debit (RM)	Credit (RM)
Accounts Receivable	5,000	–
Revenue / Service Income	–	5,000

When payment is received:

Account	Debit (RM)	Credit (RM)
Bank / Cash	5,000	–
Accounts Receivable	–	5,000

Note:
If a sales return or allowance is given, record as Debit Note / Credit Note.

5 AR AGING REPORT (EXAMPLE)

Aging report shows how long invoices have been unpaid.
It helps management monitor collections and cash flow.

Customer	Total (RM)	0 – 30 Days	31 – 60 Days	61 – 90 Days	90+ Days	Total Outstanding
ABC Sdn Bhd	5,000	3,000	1,000	500	500	5,000
XYZ Sdn Bhd	2,500	1,500	1,000	–	–	2,500
LMN Sdn Bhd	8,000	2,000	3,000	2,000	1,000	8,000
PQR Sdn Bhd	4,000	–	2,000	1,000	1,000	4,000
TOTAL	**19,500**	**6,500**	**7,000**	**3,500**	**2,500**	**19,500**

Aging report helps to:
- Monitor overdue accounts
- Identify slow paying customers
- Take action early to improve cash flow

6 KEY AR KPIs

Days Sales Outstanding (DSO)
Average number of days to collect payments from customers.

Collection Effectiveness Index
(Cash Collected / Credit Sales) × 100%

Overdue Percentage
(Overdue Amount / Total AR) × 100%

Bad Debt Percentage
(Bad Debts / Credit Sales) × 100%

AR Turnover Ratio
Credit Sales / Average Accounts Receivable

7 RESPONSIBILITIES OF AR OFFICER

- Prepare and issue invoices accurately and on time
- Maintain customer master and credit terms
- Record customer transactions and payments
- Follow up on overdue accounts
- Reconcile customer accounts and resolve discrepancies
- Prepare AR aging reports and collection reports
- Coordinate with sales, delivery and customers

8 AR VS AP

ACCOUNTS RECEIVABLE (AR) Money customers owe us	ACCOUNTS PAYABLE (AP) Money we owe to suppliers
Asset	Liability
Customer-related	Supplier-related
Incoming cash	Outgoing cash
Increases with credit sales	Increases with credit purchases
Goal: Collect payments	Goal: Pay on time
Improves cash inflow	Maintains good supplier relationship

9 BEST PRACTICES

- Issue invoices promptly
- Verify credit limit & terms
- Follow up on overdue accounts
- Monitor aging regularly
- Maintain accurate records
- Encourage early payments
- Comply with policy, SST & e-Invoice
- Communicate with customers
- Escalate overdue accounts

10 INTERVIEW QUESTION

Q Why is Accounts Receivable important?

A Accounts Receivable is important because it helps maintain cash flow, tracks customer payments, reduces bad debts, and ensures the company collects revenue on time.

TIPS TO IMPROVE AR MANAGEMENT

- ✓ Set clear credit policy and credit limits
- ✓ Evaluate customer creditworthiness
- ✓ Send statements and reminders regularly
- ✓ Use e-Invoice for faster and accurate billing
- ✓ Offer early payment incentives (if applicable)
- ✓ Take timely action on overdue accounts