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ACCOUNTS PAYABLE (AP)

CHEAT SHEET & PRACTICAL GUIDE

Learn Today, Lead Tomorrow.

1 WHAT IS ACCOUNTS PAYABLE?

Accounts Payable (AP) is the amount a company owes to suppliers or vendors for goods or services received on credit but not yet paid.

KEY POINTS

- AP is a Current Liability.
- It represents money owed by the company.
- Helps manage cash flow by allowing purchases on credit.
- Timely payments maintain good supplier relationships.
- Accurate AP ensures accurate financial statements.

THREE-WAY MATCHING

Best practice to ensure invoices are valid.

PURCHASE ORDER (PO) — GOODS RECEIVED NOTE (GRN) — SUPPLIER INVOICE = MATCH

2 AP PROCESS FLOW

1. Purchase Requisition ↓
2. Purchase Order (PO) ↓
3. Goods Received Note (GRN) ↓
4. Supplier Invoice Received ↓
5. Validate Supplier e-Invoice (MyInvois, where applicable) ↓
6. Invoice Approval ↓
7. Record in Accounts Payable ↓
8. Payment to Supplier ↓
9. Supplier Reconciliation ↓

AP CLOSED

3 IMPORTANT DOCUMENTS

- Purchase Requisition
- Purchase Order (PO)
- Goods Received Note (GRN)
- Supplier Invoice
- Validated e-Invoice (MyInvois)
- Payment Voucher
- Supplier Statement
- Payment Advice / Bank Transfer Slip

MALAYSIAN COMPLIANCE

- SST (Sales Tax & Service Tax) where applicable
- MyInvois e-Invoice compliance
- LHDN record retention requirements
- Three-way matching (PO–GRN–Invoice)
- Proper approval workflow
- Comply with Malaysian regulations

4 JOURNAL ENTRY (EXAMPLE)

At the time of purchase (on credit):

Account	Debit (RM)	Credit (RM)
Inventory / Purchases	5,000	–
Accounts Payable	–	5,000

When payment is made:

Account	Debit (RM)	Credit (RM)
Accounts Payable	5,000	–
Bank	–	5,000

Note:
Use appropriate expense or asset account based on the nature of the purchase.

5 AP AGING REPORT (EXAMPLE)

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

Supplier	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 payments due to suppliers
- Identify overdue invoices
- Plan cash flow & avoid late payment penalties

6 AP RECONCILIATION

Supplier Statement + Company AP Ledger = Reconciled Balance

Regular reconciliation ensures accurate records and avoids disputes.

7 WHY AP IS IMPORTANT?

WITHOUT GOOD AP MANAGEMENT	WITH GOOD AP MANAGEMENT
Suppliers stop supplying goods	Suppliers trust the company
Late payment penalties	Better cash flow control
Poor cash flow management	Accurate financial statements
Bad business reputation	Strong business reputation
Disputes & interruptions	Smoother operations

8 AP BEST PRACTICES

- Verify invoices before recording
- Ensure proper approvals
- Pay on due date to avoid penalties
- Maintain proper documentation
- Reconcile supplier statements regularly
- Review & monitor AP aging report
- Follow company policies & controls
- Comply with SST & e-Invoice requirements

9 INTERVIEW QUESTION

Q **What is Accounts Payable?**

A Accounts Payable is a liability account that records amounts owed to suppliers for goods or services purchased on credit. It ensures vendor obligations are tracked accurately and paid according to agreed terms.

REMEMBER!

Good AP process = Strong supplier relationship + Healthy cash flow + Accurate financial reporting.

TAX & E-INVOICE REMINDER

Check SST (Sales Tax / Service Tax) treatment where applicable and ensure all supplier invoices are validated via MyInvois.