

# **Accounts Receivable (AR) Job Interview Questions And Answers**



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## Accounts Receivable (AR) Interview Questions And Answers Guide.

### Question - 1:

What is Evaluated Receipt Settlement?

#### Ans:

ERS is a business process between trading partners that conduct commerce without invoices. In an ERS transaction the supplier ships goods based upon an Advance Shipping Notice (ASN) and the purchaser upon receipt confirms the existence of a corresponding purchase order or contract verifies the identity and quantity of the goods and then pays the supplier.

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### Question - 2:

What is total flow of Account Receivables?

#### Ans:

Flow of Accounts receivable should be in proportion to Accounts payable i.e. in terms of ration 2:1

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### Question - 3:

After Receiving Payment from Customer, What is next step till finalization?

#### Ans:

The next step would be adjusting receipt from customer against the customer outstanding with sale and to clear the customer account.

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### Question - 4:

How much time needs to pass for an A/R account to be considered delinquent?

#### Ans:

After 90 days of the due date.

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### Question - 5:

You raised a deposit type of transaction to a customer, and received a receipt fully also.

Later you raised a standard type of invoice, and adjusted deposited partially towards this std. invoice by using commitment Tab. If Customer is asking for refund of remaining amount. How will you refund the balance amount?

#### Ans:

By posting following entry  
Customer Deposit A/c Dr (with Remaining amount)  
To Cash or Bank A/c (with Remaining amount)

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### Question - 6:

What is effective collection?

#### Ans:

It depends on the credit period of the company i.e. A company credit period 30 days 85% of the debtors collection should be recovered within credit period. we can say the Effective collection.

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**Question - 7:**

Explain about Accounts Receivables in Accounting?

**Ans:**

It is money receivable from sundry debtors for sales made or services rendered.

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**Question - 8:**

What are examples of deferred revenue expenditure?

**Ans:**

It is an expenditure the benefit of which will be realised over a period and not during the current period. Ex-Heavy Advertisement expenditure incurred by the company for promoting the product. The benefits of this huge expenditure will be realised over the period and not in the same period when it is incurred.

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**Question - 9:**

Explain what are derivatives?

**Ans:**

Derivative instrument is an asset which derives ie, takes its origin from another asset.

The simplest form of derivative is a forward contract, "It is an agreement to buy or sell an asset at a certain future time for a certain price". Other forms of derivatives include futures, options and swaps, etc.

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**Question - 10:**

Explain Why is Capital amount put in Liabilities and not in Assets?

**Ans:**

One of the basic convention in accounting is separate legal entity. It means the business is different from those who manage it. When I contribute capital in to my business, it is liability to my business to repay it to me.

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**Question - 11:**

Explain what is BRS?

**Ans:**

BRS - Bank Reconciliation Statement

A bank reconciliation statement is a statement prepared by organizations to reconcile the balance of cash at bank in a company's own records with the bank statement on a particular date.

The differences may arise because of the following reasons:

- \* Cheques deposited into bank but not yet collected by bank
- \* Cheques issued by the organization but not yet presented for payment
- \* Cheques directly deposited by customers into the bank
- \* Bank charges debited by bank
- \* Interest credited or some receipts directly collected by bank based on org. request.
- \* Some payments directly made by bank based on the organizations request.

So, the statement shows the reasons as what are the reasons for difference in balance.

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**Question - 12:**

Who is responsible for maintaining the Accounts receivable in an organization?

**Ans:**

Accountants... in big organization there will be a department to maintain AR department.

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**Question - 13:**

How debtors play its role in Accounts receivable?

**Ans:**

Debtors are the main role of the business. He is the entire back bone of the business. The goodwill of the concern is in the hands of debtors because he is the person who takes our product or raw material to the customer or manufacture. So he takes the main role in the business in finance and business development.

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**Question - 14:**

How important does Accounts receivable for small business and why?

**Ans:**

Accounts Receivables help small businesses by providing short-term liquidity. Also continued sales on credit provide the much needed continuity for small businesses.

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**Question - 15:**

What are the goals of Accounts receivable?

**Ans:**

As sales occurs every customer is not able to pay the bills that's where A/R occurs the goal of A/R is to maintain summarize & record all the transactions related to unpaid a/c or future collections or A/R.

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**Question - 16:**

What are the three golden rules of accounts?

**Ans:**

Personal accounts --> Debit the benefit receiver, credit the benefit giver  
Real accounts --> Debit what comes in, credit what goes out  
Nominal Accounts --> Debit all expenses and losses, credit all incomes and gains

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**Question - 17:**

What is reconciliation statement and investment banking?

**Ans:**

Reconciliation statement is formerly known as a tool which is used to reconcile the bank passbook and our passbook.  
Investment banking is a instrument which is used by the financial organization to take a better investment decision like issuing IPO stocks bond etc.

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**Question - 18:**

What is the table that is used for aging bucket report, what is the main purpose of this report?

**Ans:**

Time periods you define to age your debit items. Aging buckets are used in the Aging reports to see both current and outstanding debit items. For example you can define an aging bucket that includes all debit items that are 1 to 30 days past due.  
Normal table used for this Report is < 30 days 30-60 days 60-90 days 90-180 days and >180 days

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**Question - 19:**

What is the Auto Invoice? What are the setup Steps for Auto Invoice?

**Ans:**

A powerful tool to import and validate transaction data from other financial systems and create invoices debit memos credit memos and on-account credits

Setup steps:

1. Define the line ordering rules
2. define the grouping rules - attache the line ordering rules to the grouping rules

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**Question - 20:**

Which type of assets should be capitalized and when expense out?  
Which type of assets expense out or when?

**Ans:**

Assets are things which is provide service for long duration it may 3 years 4 years or for long period of time.  
These items capitalize in our account books and charge depreciation in every year according to these rate it may 20 10 100

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**Question - 21:**

what is reconciliation?

**Ans:**

You should have recorded in your cash books all amounts you ve actually received and payments you ve actually made. However the cash books may be incomplete as your bank may have put extra transactions through your account such as:

- \* bank fees or interest charges
  - \* direct debits (payments) and direct credits (receipts).
- Doing a regular bank reconciliation will allow you to:
- \* take into account any extra transactions your bank puts through your account and
  - \* check and record any errors or omissions.

By regularly doing a bank reconciliation (say monthly) you can be more confident that your records contain all the information you need to prepare your income tax return and activity statements.

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**Question - 22:**

What is the difference between finance and accounts? most of the companies having a different section like finance and accounts. why they are not had only single section neither finance nor accounts?

**Ans:**



**Finance:** It is the branch of economics that studies the management of money and other assets. In simpler terms it can be defined as the commercial activity of providing funds and capital. It addresses questions like -- what funds are required by the org? How they can be raised? How they have to be allocated etc

**Accounts:** It is the occupation of maintaining and auditing records and preparing financial reports for a business. Accounts provides quantitative information about finances. It addresses issues like what amount of funds have been allocated to various activities how the book-keeping is being done etc

Both functions are distinct but complimentary to each other.

Finance and accounts are highly specialized and distinct areas and hence most organizations have separate sections of finance and accounts.

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### Question - 23:

You have been asked to prepare a bill for services. What information should be included in the bill?

#### Ans:

Service Provider's Details (i.e) Organations name and address.  
Service Receiver's Details (i.e) Organations name and address.  
Details of the service (i.e) for eg: Advertisement charges/Dying charges  
Tax (i.e) Service Tax on total chargeable amount and cess or sur-charge on service tax.  
And if there is any Expenses or abatements incurred by the service receiver less all those things and calculate service Tax and the cess for the balance amount.

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### Question - 24:

To what extent were you involved in collections?

#### Ans:

Collection involves calling the customers for past due and this kind of question has to logically answered

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### Question - 25:

Explain What is factoring?

#### Ans:

Selling the rights to the amounts owing by debtors to a finance company for an agreed amount (which is less than the figure at which they are recorded in the accounting books because the finance company needs to be paid for providing the service).

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### Question - 26:

How we are going to close AR Periods?  
Where we are going to use Accounting Rules what are the setups for that?  
Know we are having 100 Transactions in AR. Now we want to close 50 Transactions How?

#### Ans:

Review balances and reconcile the AR transactions i.e

- \* Reconcile receipts
- \* Reconcile journals
- \* Reconcile transactions
- \* Reconcile customer balances
- \* Reconcile transactions and receipts
- \* Reconcile outstanding customer balances i.e.
- \* Opening balance + Transactions - Receipts Closing balance
- \* Reconcile transaction and receipt accounting flexfield balances
- \* Transfer to GL
- \* Review transfers results and resolve transfer issues if any
- \* Post the journal in GL
- \* Close the GL period

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### Question - 27:

Explain How is a journal entry recorded?

#### Ans:

Journal Entries are recorded on a double entry system i.e debit and credit concept. In order to record a journal entry the following steps need to be followed.

- \* Enter the Journal entry number
- \* Enter the Date of transaction
- \* Enter the Debit item (as per the golden principles of accountancy)
- \* Enter the corresponding GL folio number
- \* Enter the Debit amount
- \* Enter the credit item (as per the golden principles of accountancy)
- \* Enter the amount in the credit column
- \* Provide a brief description of the transaction
- \* leave a single line before next transaction

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### Question - 28:

What is an Accounts receivables?

#### Ans:



Money owed by a business enterprise for merchandise bought on open account. It is also called "A/R" or just "Receivables". Accounts Receivable are the amounts owed to a company by its customers and/or employees.

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### **Question - 29:**

How to define Inter company Transaction in Account Receivable?

#### **Ans:**

Before answering the above question let us first understand the meaning of Intercompany transactions. Intercompany transactions are those transactions that takes place between two or more entities of the same group of company. So the receivable of one entity would be the payable of another entity. All intercompany transactions are eliminated before preparing the final Balance sheet of the group company.

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### **Question - 30:**

What are the components or materials used by Accounts receivable departments?

#### **Ans:**

Accounts Receivable department is very important department of the company. The responsibilities of the department is approval of credit limit to the customer study the past history of customer credit sending invoices to the customer updation of the customer credit data factoring contacts with the factoring agents follow up of customers motivating the customers to pay the dues intime and communicating the information to the management. Credit sales data estimation of credit sales for the future period request for funds to finance department whenever they required follow up of customers receivables management.

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### **Question - 31:**

Explain What is the difference between debenture holders and creditors?

#### **Ans:**

Debenture holder are those who provides long term loan at specific interest rate in term of cash and creditor provides only short term credit in term of cash for purchasing of goods.

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### **Question - 32:**

Explain What is Customer Master record?

#### **Ans:**

A Customer Master Record is a permanent record that contains key information about a business partner or a material. This information must be entered into the system before any transactions can take place involving the business partner [customer] or a material. Entering all the information about a customer or a material into the system before making transactions insures that subsequent transactions or inquiries will have consistent data and reports and analyses can be done in an orderly way. Master Records can be edited or changed when necessary. Changing master records is frequently called "Maintaining" in SAP

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### **Question - 33:**

Explain What are the issues related with Accounts receivable?

#### **Ans:**

As the Accounts Receivable Supervisor, you will:

- \* Oversee and resolve all issues related to cash application to ensure accuracy
- \* Reconcile daily cash receipts to payment register
- \* Design and implement new Accounts Receivable processes and procedures
- \* Process short payment and accounts receivable adjustment forms
- \* Develop and maintain reports to assess team productivity
- \* Invoice special customer accounts
- \* Supervise five Accounts Receivable Associates
- \* Other duties as may be assigned.

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