



Quality Assurance Work Instruction

CP-00-3000-07

Approved:

Date: 25 May 2004

Title: Accounts Receivable

REV
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1.0 POLICY/PURPOSE

Santa Barbara Applied Research, Inc. (SBAR) prepares, evaluates, and maintains complete financial records of the company's business activities. The purpose of this work instruction (WI) is to document how SBAR conducts the accounts receivable function.

2.0 SCOPE

This WI applies to all SBAR business units.

3.0 REFERENCES AND DEFINITIONS

3.1 References

- CP-3000-06 – Billing Process

3.2 Definitions

Account. An account is the basic storage unit for accounting data.

Accounts Receivable (AR). AR is a subsidiary ledger of the General Ledger consisting of customers that owe money for goods and/or services rendered.

General Ledger (GL). The GL consists of a group of accounts and their summarized data. The accounting system has separate accounts for each asset, each liability, and each component of owner's equity, including revenue and expenses. The accounting system is double entry, which requires that each transaction be in balance (the sum of the debits must equal the sum of the credits).

Delteck GCS Premier Accounting System (GCS). GCS is the computer-based accounting system used by SBAR.



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4.0 RESPONSIBILITIES

4.1 Accounting Manager

The Accounting Manager is responsible for maintaining the AR function in accordance with the steps indicated in Section 5.0.

5.0 REQUIREMENTS/PROCEDURES

5.1 General

The AR function is conducted on a daily basis. Receivables are automatically generated during the billing (generating 1035 form – see CP-00-3000-06) process, generating Billing Journals. The Cash Receipts (CR) Journal automatically adjusts the AR subsidiary ledger and cash in the GL when entering receipts. The AR function consists of the following steps.

5.2 Review Bank Balances

The Accounting Manager or Accounting Associate checks the bank balances daily for payments made to the SBAR accounts. Virtually all payments made to SBAR are made electronically (EFT).

5.3 Cash Receipts Journal

As payments from customers are received, the data is entered into the Cash Receipts Journal and then posted to the GL. The Accounts Receivable Aging Report is compared to the GL AR account each time the GL is updated and reconciled when necessary.

5.4 AR Aging Report

The AR Aging Report is used to determine if there are potential problems with receiving payment in a timely manner. If payment is not received within approximately 45 days of the billing date, the Accounting Manager initiates an investigation by contacting the customer to determine if there is a problem. The Accounting Manager continues to work with the customer until payment problems are resolved.



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PREPARATION, REVIEW, AND APPROVAL OFFICIALS

Prepared By:

Kirby Mulligan, Accounting Manager

Approved By:

Jack Hart, Director of Finance

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