

The Care and Keeping of Receivables and Payables

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**PRESENTATION FOR THE
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Outline of Presentation

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Accounts Receivable:

Definition

Categories

Controls over Accounts Receivable

Accounts Payable:

Definition

Categories

Controls over Accounts Payable

Procurement of Goods

Issues Within Church Entities

Accounts Receivable

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Accounts Receivable:

Money your customers owe to you for “sales” you have made to them.

Accounting 101, page 139

Categories of Receivables

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For Unions and Conferences:

Receivables from higher organizations

Receivables from lower organizations

Receivables from churches (e.g., insurance)

Receivables from employees (e.g., payroll advances; purchases of fuel or food)

Receivables from schools (e.g., payroll)

Miscellaneous receivables (e.g., interest)

Categories of Receivables

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For Academic Institutions:

Receivables from students (e.g., tuition)

Receivables from employees (e.g., payroll advances)

Receivables from firms (e.g., vendors)

Miscellaneous receivables (e.g., interest)

Categories of Receivables

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Short-term receivables: *expected to be collected* within one year.

Long-term receivables: *expected to be collected* more than one year from the current date.

“Receivables” which will be covered by an appropriation are not receivables.

Categories of Receivables

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Notes receivable:

Require written documentation

Identified as “secured” or “unsecured”

Documentation must be maintained in a secure
and permanent place

Controls Over Accounts Receivable

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Segregation of duties:

Different individuals should:

Collect the cash

Maintain accounts receivable records

Write-off of uncollectable accounts

Reconcile accounts with higher/lower organizations

Controls Over Accounts Receivable

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Basic Goal:

The same individual should not both hold/control the asset and have access to or control over the financial records pertaining to the asset.

Controls Over Accounts Receivable

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Controls over the collection of cash:

Controls over the arrival of cash

Controls over recording of funds

Controls over depositing of funds

Controls Over Accounts Receivable

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Controls over accounts receivable records:

Initial entries into the accounts require documentation

Recording payments to the accounts require documentation

Monthly statements should be sent to the account holder

Controls Over Accounts Receivable

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Controls over write-off of uncollectible accounts:

Established policies for determining the uncollectability of an account.

Document the reason for the write-off.

Approval of the write-off by a governing committee; not by an individual.

Controls Over Accounts Receivable

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Reconciliation of Accounts Receivable:

With the subsidiary ledger

With the Higher Organization

With the Lower Organization

Should be performed monthly

Accounts Payable

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Accounts Payable:

All the money you owe to creditors.

Accounting 101, page 158

Categories of Payables

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For Unions and Conferences:

Accounts Payable

Payables to the Higher Organization, including
Offering Funds passed on per policy

Payables to the Lower Organization

Salaries and Wages Payable

Accrued payables (e.g., taxes; interest)

Loans Payable (secured or unsecured)

Categories of Payables

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For Academic Institutions:

Accounts Payable

Salaries and Wages Payable

Accrued Payables (e.g., taxes, interest)

Loans Payable (secured or unsecured)

Categories of Payables

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For Financial Statement *classification* purposes, payables may also include:

Accounts Receivables with credit balances

Overdrafts on bank accounts if in one bank

Current portion of long-term payables

Categories of Payables

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Current payables (liabilities)---those which must be paid within one year.

Long-term payables (liabilities)—those which must be paid after one year.

Controls Over Payables

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Segregation of duties:

Different individuals should:

Authorize/approve vendor invoices

Record invoices

Authorize/print checks

Authorize/execute wire transfers

Prepare bank reconciliations

Controls Over Payables

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Prior to payment, the purchase order, invoice, and document of receipt of goods should be matched.

Access to manual checks should be restricted.

Voided/cancelled checks should be retained.

Access to electronic transfers should be restricted.

Access to vendor files should be limited.

Procurement of Goods

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Segregation of duties requires different people to:

Initiate the purchase request

Approve the purchase request

Receive the ordered goods

Record the vendor invoices

Procurement of Goods

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Some cultures/countries do not have a fixed price list for purchasing items, as is available in highly developed financial societies.

In such situations a “middleman” may be used. Then it is up to the negotiator to determine the price.

Procurement of Goods

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In this context, it can be easy for bribery to occur in the procurement of goods.

Scripture states that God does not accept bribes

For the Lord your God is God of gods and Lord of lords, the great God, mighty and awesome, who shows no partiality and accepts no bribes.

Deuteronomy 10:17

Procurement of Goods

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If we wish to mirror the acts of God, then we too will not offer or accept bribes. Scripture states:

Do not accept a bribe, for a bribe blinds those who see and twists the words of the righteous. Exodus 23:8

Do not pervert justice or show partiality. Do not accept a bribe, for a bribe blinds the eyes of the wise and twists the words of the righteous. Follow justice and justice alone, so that you may live and possess the land the Lord your God is giving you. Deuteronomy 16:19-20

Issues Within Church Entities

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How can local conferences encourage churches to send in the monthly remittance on a timely basis?

Can payables to Higher Organizations be used as a way to manage cash flow?

What is the responsibility of the organization to pay any liabilities—especially to the government?
Especially to other entities within the church?

Issues Within Church Entities

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The strength of the palm tree is in its branches.

Ghanaian Proverb

Receivables and Payables

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Questions or Comments?