The Care and Keeping of Receivables and Payables
Outline of Presentation

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:

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

Accounting 101, page 139
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

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

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.
Notes receivable:

- Require written documentation
- Identified as “secured” or “unsecured”
- Documentation must be maintained in a secure and permanent place
Segregation of duties:
Different individuals should:
Collect the cash
Maintain accounts receivable records
Write-off of uncollectable accounts
Reconcile accounts with higher/lower organizations
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

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 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 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

Reconciliation of Accounts Receivable:

With the subsidiary ledger
With the Higher Organization
With the Lower Organization

Should be performed monthly
Accounts Payable:

All the money you owe to creditors.

Accounting 101, page 158
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

For Academic Institutions:
- Accounts Payable
- Salaries and Wages Payable
- Accrued Payables (e.g., taxes, interest)
- Loans Payable (secured or unsecured)
Categories of Payables

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

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

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

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.
Segregation of duties requires different people to:

- Initiate the purchase request
- Approve the purchase request
- Receive the ordered goods
- Record the vendor invoices
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.
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*
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
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?
The strength of the palm tree is in its branches.

Ghanaian Proverb
Questions or Comments?