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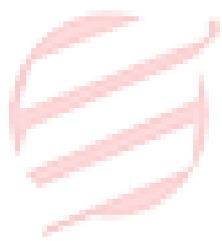
Accounts Receivable



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Introduction

Diva design is a women's apparel design company. It doesn't own physical stores rather it uses online methods to sell their products. It's a niche brand and sells high end products, which are ordered online through the website by phone or to sales representative. The fact that it is a high end product it is sold through websites because the target customer of the company is computer savvy and comfortable in dealing online purchases. Diva design is primarily an apparel company but it has diversified into all other fashion and accessories and make up to keep its customer interested. Diva design does not involve in television commercials it rather uses online advertisements through Google and other such sites. The fact that they do not engage in television commercial is because they do not have a physical store. The company has a strong chain to back up its online activities from sales representative to accounts receivable team.



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Accounts Receivable at Diva Designs

Accounts receivable of a supplier is defined as the outstanding balance that a company or a client or a customer has or the amount of money that the supplier is owed from these clients. These accounts mentioned in the AR are the ones that are deserved by a business concerned in return of a product or service that it has delivered. It essentially demonstrates a line of credit that is extended by an organisation along various periods of time ranging from days to months to even a year. Accounts receivable is typically an asset in the balance sheet of an organisation because of the obligations that the client has, to remit the cash in regard of the debt. Any legal obligation in economics is regarded as an asset for the party which is owed. If the accounts receivable of a company has any entries, it means that the supplier has made a sale but the client is yet to remit the appropriate payment in return. This essentially represents the fact that the company has accepted the IOU clause from the client.

The Accounts receivable of Diva Designs provides a facility for the credit check of every new client upon receiving an order. Before the order is accessed or further processed, it is essential to perform a risk assessment in the form of credit check to avoid dire circumstances which can later result in legal intervention. Therefore, it is important that Diva Designs provides effective risk assessment strategies before it accepts orders from the clients. This can be followed in line with the Basel II model of risk assessment that is followed by banks to perform credit checks before sanction of loans. By using internal or external ratings, the supplier can check the credit history and overall rating of the client before it accepts a bulk order to supply the products.

Diva Designs incorporate a “2 by 7 net 30” scheme on the Accounts receivable. It means that they provide a supply discount of 2% if the payment for an order is received within 7 days. The full amount is anyway due before the 30th day from the date of the invoice. It also facilitates an email notification on the 6th day to make sure the client is sufficiently informed about the discount privileges relevant to timely payment. This is a flexible strategy in the AR but it often backfires when there is imbalance in the supply-demand ratio. When there is a huge demand and stocks are limited, the scheme needs to be suspended and the criteria must be stringent. Otherwise supply failures are inevitable (Petroons *et al.* 2007).

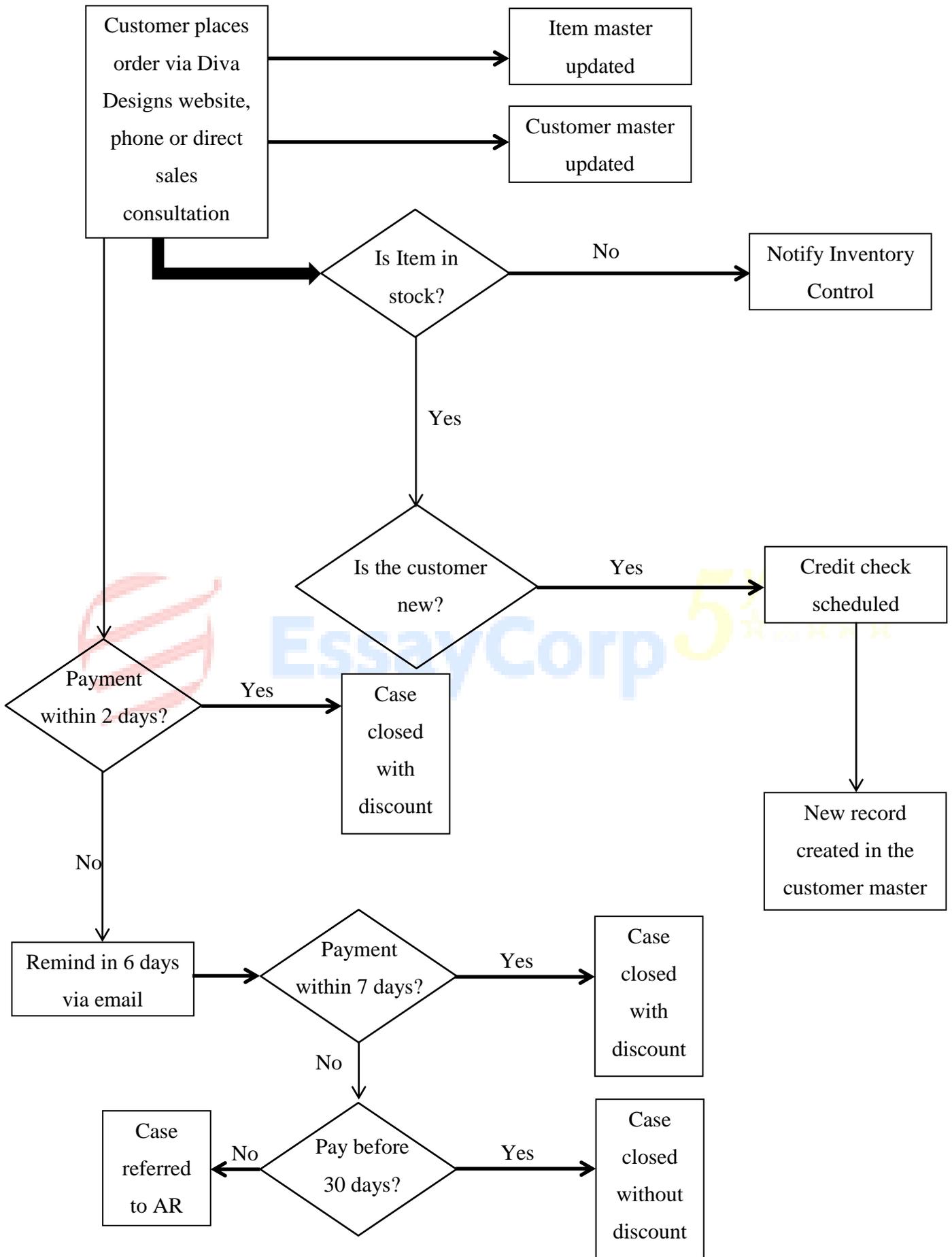
The AR at Diva Designs is also entrusted with the responsibility of downloading and retrieving the bank statement of the organisation. The AR team will reconcile these reports and allocate the appropriate payment records and owed accounts to the appropriate customers

(Ball *et al.* 2013, p.1071). The AR manager or the AR supervisor does the work of solving the discrepancies within the system when there is some reconciliation from the customers in the form of short payments. The AR department handles the extraneous situations when the payment clause is forfeited by the client or customer. The department contact the customer appropriately and send them the terms and regulations against the compromise of payment agreements and thereafter forward the report to the accounting department. However, the AR should also contain a regulatory body to deal aggressively with compromise of agreement. Thereby encouraging more and more companies to make payment in order and thereby balance the supply demand cycle in times of crunch.

A Level 0 logical data flow diagram of the accounts receivable department has been shown below:



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Organisational Profitability and performance

There are two type of organisation one that works for profit that is for profit organisation and the non-profit organization. The diva design is a for profit organization. Organizational profitability is measured by two models, the total quality management or TQM model and the business process re-engineering model that is commonly known as the BPR model. In these models emphasis is given on business process here in the case of the diva design the business model is an online model of receiving order online and delivering the product to the customer and receiving payment. This model has to be carefully observed and notice if there is any unused time or bottlenecks in the business process and proper care has to be taken for it. Many other factors are also considered in these models like leadership, quality, customer, people etc. The diva design is a product as well as a service selling company. It has 4 core products of product market as well as 3 Ps of service market integrated in its process (Michalski, 2012, p.84).



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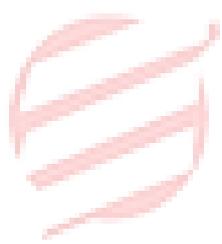
Recommendations for the Accounting Systems

An Accounting Information System or AIS, generally a computer based method used by a business in order to collect and store data and information related to finance, so as to be used by tax agencies, creditors and investors. The use of AIS ensures an efficient and secured recording and reporting of the financial transactions and data in case of a requirement in future. While the business processes like manufacturing, sales and marketing, finance, product planning, etc. are managed by a software and technology known as the ERP or Enterprise Resource Planning; more like a set of applications, ERP helps in collection, managing and interpretation of data from the business processes of an organisation.

The conventional styles of accounting and business reporting are no longer efficacious for growing business concerns that are expanding into the larger domains of conducting sales. The requirements are getting stricter and the numbers are growing beyond the control of manual accounting and reporting procedures. Therefore, sustainable solutions need to be incorporated in order to cope up with the demands. The use specialised information systems for accounting helps the employers to monitor the business processes, make critical decisions and report the same for the consumption of the stakeholders. It has been addressed by the learners that the Accounting Information Systems or AIS and the Enterprise Resource Planning or ERP Software, can be used to efficiently manage costs, jobs, production and the overall performance of the business (Wu *et al.* 2014, p. 1625).

Conclusion

The suppliers need to address their accounts receivable in order to manage the resources they have spent as against the payment that they are yet to receive. The AR manger has the essential responsibility of regulating the payments and procedures related to client relationship and therefore are an ardent part of the entire supply procedure. Diva Designs has an otherwise efficient accounts receivable department but it needs to be more active and working in order to effect the changes and be more efficient.



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