STANDARD OPERATING PROCEDURE

Accounts Receivable SOP

Document no.	SOP-ACC-002
Revision	1.0
Owner	AR Manager
Effective date	September 15, 2026
Review cycle	Every 12 months

1. Purpose

To bill customers accurately, apply cash promptly, keep receivables current through consistent follow-up, and reconcile the accounts receivable subledger to the general ledger.

2. Scope

Applies to customer invoicing, cash application, collections and credit memos for trade receivables. Extending new customer credit terms above standard limits follows the company's separate credit policy.

Definitions

AR aging	A report grouping open customer balances by how long they have been outstanding, such as current, 30, 60 and 90-plus days.
Cash application	Matching an incoming customer payment to the specific invoice or invoices it pays.
Credit memo	A document reducing what a customer owes, issued for a return, pricing error or agreed adjustment.

3. Responsibilities

AR Specialist	Generates invoices, applies cash receipts, monitors aging and follows up on past due accounts.
Credit Manager	Sets customer credit limits and approves credit holds and releases.
AR Manager	Approves credit memos and write-offs and reconciles the AR subledger.
Account Manager	Owns the customer relationship and helps resolve billing disputes.

RACI matrix

Activity	AR Specialist	Credit Manager	AR Manager	Account Manager
Set customer credit limit	I	R/A	C	C
Generate and send customer invoices	R/A	-	I	I
Apply cash receipts	R/A	-	I	-
Follow up on past due accounts	R	C	A	C
Approve credit memo or write-off	R	C	A	I

R = Responsible, A = Accountable, C = Consulted, I = Informed

4. Materials and PPE

Materials, tools and systems

- Accounting system accounts receivable module
- Customer master file and credit terms
- Invoice template
- AR aging report
- Cash application worksheet
- Credit memo template

5. Procedure

Step	Task	Owner	Done
5.1	**Set up the customer and credit terms** The AR specialist creates the customer record with billing details, and the credit manager sets the customer's credit limit and payment terms before the first invoice is issued.	AR Specialist	☐
5.2	**Generate customer invoices** The AR specialist generates invoices from completed sales orders or delivered services, checking pricing, quantities and terms against the underlying contract or order before sending. **Checkpoint:** Invoice pricing and terms match the customer's contract or approved order before the invoice is sent.	AR Specialist	☐
5.3	**Send invoices to customers** The AR specialist sends each invoice to the customer's designated billing contact by the agreed method, such as email, portal or mail, on the scheduled billing date.	AR Specialist	☐
5.4	**Apply incoming cash receipts** The AR specialist matches each incoming payment to the specific invoice or invoices it covers, applying short payments and overpayments according to company policy. **Checkpoint:** Cash is applied against specific invoices, never left as an unapplied balance for more than a few business days.	AR Specialist	☐
5.5	**Monitor the AR aging report** The AR specialist reviews the AR aging report weekly to identify accounts moving past due and prioritizes follow-up by balance size and days outstanding.	AR Specialist	☐
5.6	**Follow up on past due accounts** The AR specialist contacts customers with past due balances by phone or email, following an escalating contact schedule as the balance ages further.	AR Specialist	☐
5.7	**Resolve billing disputes** When a customer disputes an invoice, the account manager works with the AR specialist to research the disputed items and resolve the discrepancy with the customer.	Account Manager	☐
5.8	**Issue a credit memo** The AR specialist prepares a credit memo for an approved return, pricing correction or agreed adjustment, and the AR manager approves it before it is applied to the customer's account.	AR Specialist	☐

Step	Task	Owner	Done
5.9	**Place or release a credit hold** The credit manager places a credit hold on a customer whose balance or payment history exceeds policy limits, and releases the hold once the account is brought current or an exception is approved. **Warning:** Do not ship new orders to a customer on credit hold without documented approval from the credit manager.	Credit Manager	☐
5.10	**Escalate accounts for collections** The AR manager reviews severely past due accounts that have not responded to standard follow-up and decides whether to escalate to a collections agency or legal action.	AR Manager	☐
5.11	**Approve a bad debt write-off** The AR manager reviews accounts recommended for write-off, confirms collection efforts have been exhausted, and approves the write-off following company policy.	AR Manager	☐
5.12	**Reconcile AR subledger to the general ledger** The AR specialist reconciles the accounts receivable subledger total to the general ledger control account each month and reports any unexplained difference to the AR manager. **Checkpoint:** The AR subledger total agrees with the general ledger control account before the books are closed for the period.	AR Specialist	☐

6. Quality checks

- Invoice pricing and terms are checked against the contract or order before sending.
- Cash receipts are applied to specific invoices within a few business days.
- No shipment goes to a customer on credit hold without documented approval.
- The AR subledger reconciles to the general ledger every month with no unexplained difference.

7. Records

- Customer invoices and supporting orders or contracts
- Cash application worksheet
- Credit memos and write-off approvals
- AR subledger to general ledger reconciliation

8. KPIs

- Days sales outstanding
- Percentage of AR balance past due
- Bad debt write-offs as a percentage of revenue
- Average time to resolve a billing dispute

9. Common mistakes

- Leaving cash receipts unapplied instead of matching them to invoices promptly.
- Shipping new orders to a customer already on credit hold.
- Writing off a balance before collection efforts are documented.
- Sending an invoice with pricing that does not match the signed contract.

10. Revision history

Revision	Date	Description	Reviewed by
1.0	September 15, 2026	Initial release	Ilia Pirozhenko

Approval

Prepared by	Approved by	Date

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