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ACCOUNTS RECEIVABLE

Version 2



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ACCOUNTS RECEIVABLE

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Description

The **Accounts Receivable Process** is designed to manage the collection of payments from customers for goods or services rendered by the company. This process encompasses the entire lifecycle of an invoice, from the creation and dispatch of invoices to customers, through the tracking of payment status, to the eventual receipt of payment and final account Reconciliation.

The primary goal of this process is to ensure the timely collection of payments, reduce Outstanding Debts, and maintain positive cash flow for the company. It involves close collaboration between internal teams, particularly the **Accounts Receivable Clerk**, and external partners, such as the Factoring Firm, when necessary.

The process begins with the **Accounts Receivable Clerk** generating and sending invoices to customers, ensuring that the Payment Terms are clearly communicated. Following this, the Clerk monitors the payment status and follows up with customers in case of delays or overdue payments.

In cases where internal efforts to recover payments are not sufficient, the process involves escalating overdue accounts to a Factoring Firm. This firm specializes in managing the collection of past-due invoices, either through direct payment collection or by purchasing the debt from the company.

Throughout the process, the company strives to ensure that all accounts are accurately tracked, payments are applied to the correct invoices, and any Outstanding Debts are addressed in a timely and professional manner.

The **outcomes** of the process include:

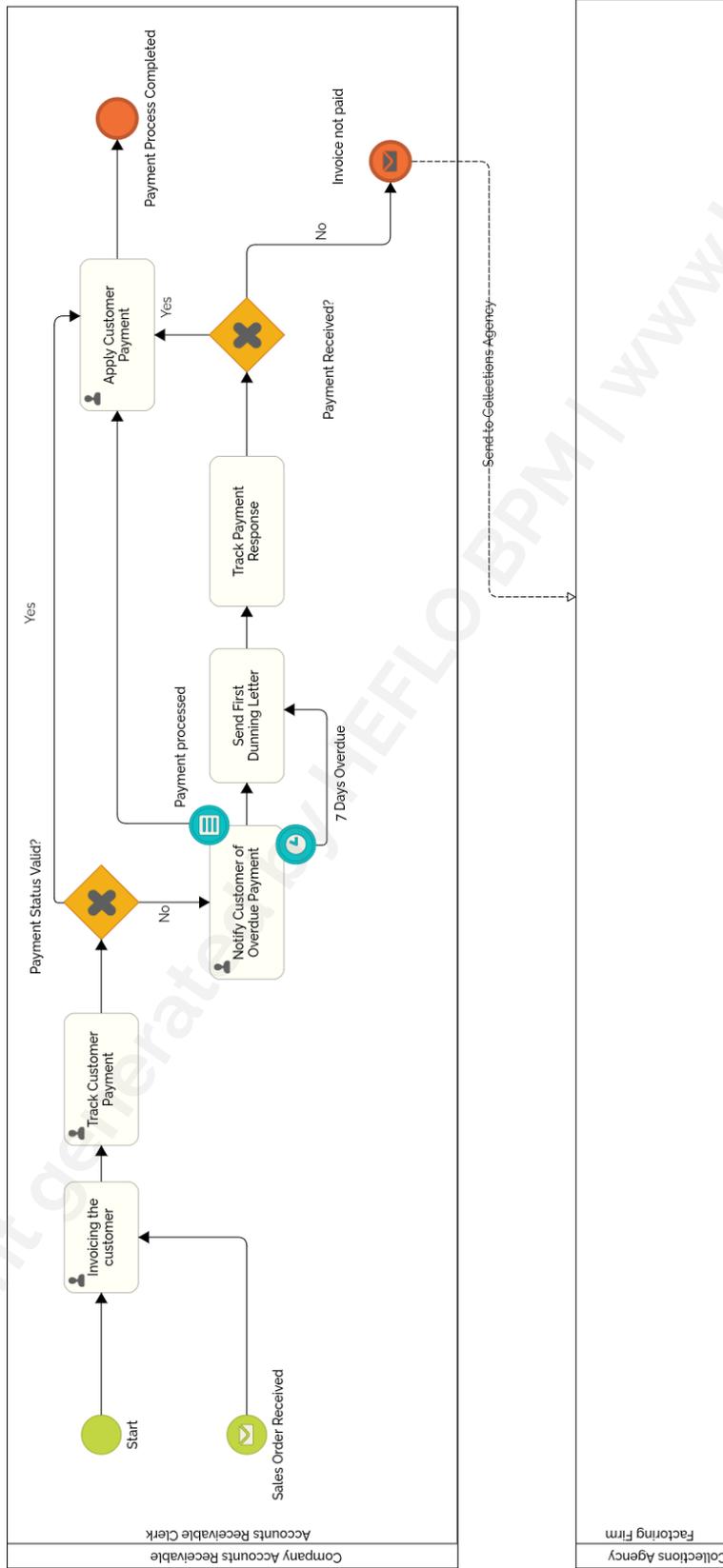
1. **Receipt of Payments:** Ensuring that payments are received and properly applied to

customer accounts.

2. **Debt Recovery:** Recovering overdue payments, with the assistance of external factoring firms when necessary.
3. **Reconciliation:** Finalizing the payment process and updating customer accounts to reflect paid invoices.
4. **Reporting:** Providing relevant updates and reports on the status of overdue payments and collections to management and stakeholders.

By the end of this process, the company achieves a clear and up-to-date view of its accounts receivable, with all payments properly processed and Outstanding Debts minimized. This process plays a crucial role in maintaining the financial health of the company, ensuring that cash flow is optimized and that customers are treated fairly and professionally.

Diagram



TASKS AND EVENTS

Company Accounts Receivable

The "**Company Accounts Receivable**" pool represents the internal department or team within the organization responsible for managing and overseeing customer invoices and payments. This pool includes all activities related to tracking Outstanding Debts, issuing invoices, handling payment inquiries, and ensuring that customer accounts are updated appropriately.

Roles and Responsibilities:

- **Invoicing:** The Accounts Receivable department creates and sends invoices to customers for goods or services provided.
- **Payment Tracking and Application:** The team is responsible for tracking payments from customers and applying them to the correct invoices within the system.
- **Customer Communication:** When payments are overdue, the Accounts Receivable team communicates with customers through phone calls, emails, or reminders.
- **Reconciliation:** The department ensures that all payments and account balances match up, making sure the financial records are accurate.
- **Escalation:** If payments remain unpaid for a prolonged period, the Accounts Receivable team escalates the case to external partners, such as factoring firms or collection agencies.

The team within the "**Company Accounts Receivable**" pool is central to the daily operations of managing accounts, ensuring that payments are received, and that customers maintain a good payment history with the company.

Start

Performer
Accounts Receivable Clerk

This event indicates that the Accounts Receivable process is initiated manually, often by an employee or system user who triggers the invoicing task. This event marks the beginning of

the process when there is no automated trigger, such as an incoming message or scheduled event. It is typically used in situations where manual oversight or decision-making is required to start the process.

Invoicing the customer

Performer
Accounts Receivable Clerk

The "Invoicing the Customer" task involves the creation of a formal invoice to be sent to the customer, based on the details of the goods or services provided. This step is essential to ensure that the customer is billed correctly and in a timely manner.

During this task, the Accounts Receivable or Billing team is responsible for gathering the relevant information, such as:

- **Customer Information:** Ensuring the customer's details (name, address, contact information) are up to date.
- **Invoice Details:** This includes verifying the items or services sold, quantities, unit prices, taxes, and any applicable discounts.
- **Payment Terms:** Defining the due date for the payment and specifying Payment Terms (e.g., net 30 days, due upon receipt).
- **Invoice Numbering:** Assigning a unique invoice number to ensure accurate tracking and record-keeping.

The output of this task is a finalized, accurate invoice ready to be delivered to the customer. Once the invoice is created, it will typically be sent via the appropriate channel (e.g., email, postal mail, or through a customer portal), and the process will move on to monitoring payments and follow-up actions.

Track Customer Payment

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Performer

Accounts Receivable Clerk

This task involves tracking the progress of payments owed by customers based on the invoices issued. During this phase, the Accounts Receivable team actively monitors incoming payments, ensuring they are received in accordance with the agreed Payment Terms.

The primary activities involved in this task include:

- **Payment Tracking:** The Accounts Receivable team checks payment systems, bank statements, or customer portals to verify when the customer has made a payment. They compare the payments against the due invoices to ensure all amounts align with what was expected.
- **Payment Due Date Monitoring:** The team monitors the payment due dates for each customer to assess if payments are on schedule. If a payment is not received by the due date, the team is responsible for initiating follow-up actions.
- **Communication with Customers:** During this task, the team may also reach out to customers who have not yet paid, either as a reminder or to resolve any issues preventing payment (e.g., disputes, delays).
- **Identifying Payment Methods:** The team ensures they're aware of how the customer intends to pay (e.g., bank transfer, credit card, or other payment channels) and confirms that the payment method is functioning properly.

This task continues until the payment is received or further follow-up is required due to overdue invoices or discrepancies. Once the payment has been made, the process moves forward to the next task, such as **Payment Application** or Reconciliation.

Notify Customer of Overdue Payment

Performer

Accounts Receivable Clerk

The "**Notify Customer of Overdue Payment**" task is initiated when a payment is overdue or has not been received by the customer as expected. The purpose of this task is to communicate with the customer to remind them of the overdue payment and encourage

timely resolution.

During this task, the following activities occur:

- **Reminder Communication:** A formal reminder (via email, phone call, or other communication channels) is sent to the customer, informing them of the overdue payment and providing details of the outstanding invoice.
- **Payment Terms Clarification:** The reminder may also include a reiteration of the Payment Terms, such as the due date, amount due, and any potential penalties for delayed payments.
- **Customer Follow-up:** If necessary, the Accounts Receivable team may contact the customer to discuss any issues preventing payment or to negotiate new Payment Terms.

Once the reminder is sent, the process continues with further follow-up actions, potentially involving additional reminders or escalating the situation if the payment is not made.

Send First Dunning Letter

Performer
Accounts Receivable Clerk

The "**Send First Dunning Letter**" task is triggered when a customer's payment remains overdue, and the grace period of 7 days has passed without payment. This task involves sending a formal written notice to the customer, requesting that they settle their outstanding invoice.

The activities involved in this task include:

- **Preparation of Dunning Letter**
: The Accounts Receivable team prepares a formal letter that outlines the customer's overdue payment, the amount due, and the original Payment Terms. The letter typically includes the following information:
 - **Invoice Details:** The invoice number, the amount due, and the due date.
 - **Payment Instructions:** Clear instructions on how the customer can make the payment.
 - **Late Fees or Penalties:** Information regarding any penalties for overdue payments (if applicable).

- **Urgency Statement:** A polite yet firm reminder emphasizing the importance of paying the overdue amount as soon as possible.
- **Sending the Letter:** The Dunning Letter is sent to the customer via an appropriate communication method, such as email, postal mail, or via a customer portal (if applicable). The method of delivery is typically tracked to ensure the customer receives the letter.
- **Record Keeping:** A copy of the Dunning Letter is archived in the system for future reference, tracking, and documentation purposes.

This task serves as an Escalation step in the collections process, intended to inform the customer about the overdue status of their payment and request prompt action to avoid further consequences. If the customer still does not respond or pay, additional follow-up actions (such as further dunning letters or escalating to collections) may be initiated.

Track Payment Response

Performer
Accounts Receivable Clerk

The "**Monitor Payment Status**" task is initiated after sending the first Dunning Letter to the customer. During this task, the Accounts Receivable team actively monitors the customer's payment status to determine whether payment has been received in response to the Dunning Letter.

The activities involved in this task include:

- **Payment Tracking:** The team monitors incoming payments through various channels (e.g., bank transfers, credit card payments, or online payment systems) to check whether the customer has settled the overdue invoice. They verify payment details, ensuring that the amounts match the outstanding invoices.
- **System Updates:** The team updates the accounting or ERP system with any payments received, ensuring that the customer's account balance is accurate and that invoices are marked as paid or partially paid.
- **Follow-Up Communication:** If no payment has been received within the expected time frame, the team may initiate additional follow-up actions, such as sending a second reminder or escalating the situation.

- **Customer Communication:** If necessary, the team may reach out to the customer to inquire about any issues preventing payment or to negotiate alternative payment arrangements.

This task continues until the payment is received or additional actions are taken due to continued non-payment. Once the payment is confirmed, the process moves to the next task, which might involve applying the payment or reconciling accounts.

Payment Received?

Performer
Accounts Receivable Clerk

This gateway evaluates whether the customer's payment has been successfully received and processed. If the payment is confirmed, the process moves forward to tasks like "**Apply Payment**" or "**Reconcile Account**". If the payment has not been received or there is an issue with the payment, the process proceeds to additional follow-up actions such as escalating the situation, sending further reminders, or initiating legal actions if necessary.

Apply Customer Payment

Performer
Accounts Receivable Clerk

The "**Process Payment**" task involves applying the payment received from the customer to the corresponding invoice. This task ensures that the payment is accurately recorded in the accounting or ERP system, updating the customer's account balance and reflecting the payment on the relevant invoices.

During this task, the following activities occur:

- **Payment Confirmation:** The Accounts Receivable team confirms that the payment matches the expected amount and aligns with the customer's invoice.
- **Payment Application:** The payment is applied to the corresponding invoice(s), and the customer's balance is updated.
- **System Update:** The system is updated to reflect the status of the invoice (e.g., paid, partially paid).
- **Reconciliation:** The payment is reconciled with the financial records to ensure all entries are accurate and no discrepancies exist.

Once the payment is successfully processed and recorded, the process moves to the next steps, such as updating financial records and closing the transaction.

Payment Process Completed

Performer
Accounts Receivable Clerk

This event marks the conclusion of the Accounts Receivable process when the customer's payment has been successfully applied to their outstanding invoice. This event indicates that the process has reached a successful outcome: the invoice has been settled, and no further actions are required at this stage.

The activities associated with this end event include:

- **Final Verification:** Ensuring that all payments have been correctly applied to the appropriate invoices and that the customer's account balance is updated accurately.
- **Process Completion:** The task concludes the process, and no further steps are required. The invoice is considered fully paid, and the customer's account is in good standing.
- **Manual Action:** This end event is triggered manually by the Accounts Receivable team or the automated system when all necessary steps (such as applying payments and reconciling accounts) have been completed.

At this point, the process is officially closed, and the customer's account reflects that the invoice has been paid in full. This may also trigger any relevant notifications or confirmations to be sent to the customer, indicating that the payment has been processed and their account is up to date.

Invoice not paid

Performer
Accounts Receivable Clerk

The **"Invoice Not Paid"** message end event marks the termination of the process when the customer's payment has not been received. This event sends a message (typically to the customer or internal stakeholders) indicating that the payment has not been completed, and the invoice remains overdue.

The activities associated with this end event include:

- **Notification:** A message is generated, possibly including information about the overdue payment, potential next steps, or consequences.
- **Process Termination:** After the message is sent, the process ends, and no further actions are taken unless the payment is received or escalated to additional actions (e.g., collections, legal follow-up).

This end event is used when the payment status has not been confirmed, and the process must formally end with the invoice remaining unpaid.

Payment processed

Performer
Accounts Receivable Clerk

The **"Payment Confirmed"** conditional boundary event is triggered when a customer's payment has been successfully processed and confirmed. If the payment is received during the **"Send Payment Reminder"** task, the process will immediately move to the **"Process Payment"** task to apply the payment to the customer's account.

The conditional boundary event evaluates whether the payment is confirmed or not. If the payment is processed, the Accounts Receivable team will stop sending further reminders and proceed to update the customer's balance and invoice status. If the payment is not confirmed, the process will continue with the overdue payment follow-up actions.

7 Days Overdue

Performer

Accounts Receivable Clerk

The "**7 Days Overdue**" timer boundary event triggers 7 days after the "Send Payment Reminder" task if no payment is received by that time. This event marks the passage of a grace period, after which the Accounts Receivable team escalates the situation by sending the first Dunning Letter.

The timer event ensures that the team follows up in a timely manner if the customer has not responded to the initial reminder. The "**Sending the First Dunning Letter**" task is automatically initiated after 7 days, escalating the reminder to a formal notification of overdue payment. This Escalation typically involves a more stern message, possibly including information about late fees, further actions, or legal steps if payment is not received soon.

Sales Order Received

Performer

Accounts Receivable Clerk

The 'Sales Order Received' message start event is triggered when the Sales department sends an order confirmation or notification of a sale to the Accounts Receivable process. This message indicates that the customer has agreed to purchase goods or services, and the necessary steps for invoicing can begin. Upon receiving this message, the process moves to the next task of invoicing the customer.

Collections Agency

A **Collections Agency** is a specialized third-party company hired by businesses to recover unpaid invoices or overdue debts from clients who have failed to pay within agreed terms. These agencies use a variety of communication methods, including phone calls, letters, and emails, to contact the debtor and negotiate repayment. They may also report the debt to credit bureaus or take legal action if necessary. Typically, collections agencies operate on a commission basis, taking a percentage of the recovered amount as their fee. Engaging a collections agency is usually considered after internal collection efforts have been unsuccessful, especially for high-value or long-overdue accounts. While effective, this step may impact the business relationship with the client and should be used as part of a clearly defined accounts receivable policy.

PERFORMERS

Accounts Receivable Clerk

The "Accounts Receivable Clerk" is a key internal actor in the process who is responsible for managing the company's outstanding customer payments. This role involves monitoring and processing payments, ensuring that invoices are accurate, and following up with customers on overdue payments.

Responsibilities of the Accounts Receivable Clerk:

- **Invoicing:** Creating and sending invoices to customers for products or services delivered.
- **Payment Tracking:** Monitoring incoming payments and ensuring that they are applied to the correct invoices.
- **Customer Communication:** Communicating with customers regarding overdue payments, issuing reminders, and escalating issues when necessary.
- **System Updates:** Ensuring that the accounting system is updated with payment details, reflecting the accurate status of accounts and outstanding invoices.
- **Payment Reconciliation:** Ensuring that all payments are accurately recorded and accounted for, maintaining financial integrity.

The Accounts Receivable Clerk works with the Factoring Firm in cases where payments are outsourced for collection, or when a third-party service is involved in managing receivables.

Factoring Firm

The "Factoring Firm" is an external actor responsible for managing the collection of outstanding invoices that have been outsourced by the company. Typically, the Factoring Firm buys or collects the debts from the company, and it plays a key role in facilitating debt recovery and managing customer collections.

Responsibilities of the Factoring Firm:

- **Debt Collection:** The firm takes over the responsibility of contacting customers with overdue payments and following up on collections.
- **Handling Payments:** When payments are received, the Factoring Firm processes them

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and ensures that the company's receivables are cleared or forwarded.

- **Managing Risk:** The Factoring Firm may also assume some of the financial risk associated with Outstanding Debts, providing services like credit protection or debt collection.
- **Reporting:** Providing updates and reporting to the Accounts Receivable Clerk or company on the status of overdue accounts, payment collections, and any issues that arise.

The Factoring Firm typically works with the **Accounts Receivable Clerk** to manage and follow up on overdue payments. The involvement of the Factoring Firm often occurs when internal collections are insufficient or the company prefers outsourcing this function.

GLOSSARY

Clerk

The individual responsible for logging and categorizing customer requests and handling basic issue resolutions.

Escalation

The process of transferring a request or issue to a higher level of expertise or authority within the support team when the current level cannot resolve the issue. It ensures that more complex problems are handled by individuals with greater knowledge or specialized skills.

Factoring Firm

An external service provider or third-party company that purchases outstanding invoices or assists with the collection of overdue payments. The factoring firm may assume the risk associated with unpaid debts and may charge a fee for their services.

Payment Terms

The conditions under which payment for an invoice is expected, including the due date, any early payment discounts, and late payment penalties.

Reconciliation

The process of matching the company's financial records with actual payments and ensuring that all accounts are accurate and up-to-date. This ensures that there are no discrepancies between what is recorded and what has been paid.

Dunning Letter

A letter sent to a customer to remind them of an overdue payment. Dunning letters are typically sent at various stages of overdue accounts to encourage customers to pay.

Outstanding Debts

Financial obligations that an employee owes to the company, such as loans, unreturned

equipment, or unprocessed financial transactions.

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