Accounts Receivable (A/R) is money owed to an entity by customers (individuals or corporations) for goods and/or services that have been delivered or used, but not yet paid for.

The intention of this guidance document is to provide the detailed information required to administer A/R invoicing at Queen's, and covers the following subject matters:

THE DECISION TO INVOICE

The decision to invoice rather than require cash on delivery is implicitly a decision to grant credit to the customer.

It is important that selling departments be aware that there is a cost related to the decision to grant credit to customers as well as risks and ways of minimizing each.

Reducing Credit Costs

Whether a sale or cost recovery, the university is financing the expenditures related to the goods/services provided until payment is received from the customer.

The selling department can help to minimize this cost by:

⬜ issuing invoices promptly upon delivery of goods/services

⬜ issuing installment invoices over the year, preferably with an advance at the beginning of the period - this is most appropriate in the case of expense recoveries, e.g. recoveries of a portion of salaries

⬜ actively pursuing collection of accounts receivable

Reducing Risk of Bad Debts

With any credit transaction, there is a risk of not collecting payment, i.e. the bad debt risk. The risk of bad debts can be significantly reduced by following sound business practices, which include:

1. Obtaining a signed agreement or work order from the customer prior to providing goods or services. This can help prevent misunderstandings about the nature and cost of the goods/services, which are frequently the cause of collection problems

2. Granting credit only to customers who have established their credit worthiness:

   - high profile customers with well-established business reputations
   - customers with whom the department has had successful previous dealings
   - government agencies

INVOICE PREPARATION INSTRUCTIONS

Invoices should be prepared and issued by any business unit or department that has provided goods/services to external customers.

The invoice should be prepared and issued when services have been provided and/or goods delivered.

Invoices should only be issued to external customers. If the transaction is a sale or cost recovery from an internal customer, and you require guidance on this matter, please refer to the training documentation on the Financial Services website regarding Revenue and Cost Recoveries.

The invoice is a legal business document and therefore it is important to complete it in a professional manner. It should be noted that the manner in which the invoice is prepared can impact on the ability to collect the account.

Queen's Invoice Template

How to Complete a Queen's Invoice

1. University Department

This information lets the customer know which Queen's department supplied the goods and/or services to them. It also assists Financial Services when receiving payments that have a copy of the invoice attached to them.

2. Department Contact Name

This is the person that will be contacted if there is a problem with the invoice or with payments on the invoice. It is important to include the contact person's email address and phone number/extension.

3. Bill To

Replace the Company Name, Contact Name, etc. placeholders in the Bill To section. Ensure the contact name and the address is fully filled out, including the postal code. Also include the phone number and email address, if provided by the customer.

4. Date

The 'Date' field should be filled in with the date on which the invoice is prepared

5. Invoice Number

It is very important that invoices are easily tracked back to the correct department.

Many payments are sent to Financial Services either by wire, electronic funds transfer, or cheque, which need to be properly identified by the invoice number. In an effort to direct payments to the correct departments, we ask that **Standard Invoice Numbering** be used on Queen's invoices.

Standard Invoice Numbers have **twelve digits** (with dashes in between), consisting of the following:

- **First 5** digits are the **department number** that is issuing the invoice
- **Next 2** digits are the **Initials of the individual** preparing the invoice
- **Last 5** digits are the **next unused sequential invoice number**, the first invoice issued by a department would be '00001'.

  Example: The invoice number for the second invoice prepared by John Smith in Department 30005 would be as follows: **30005-JS-00002**

Each department is required to maintain a log of the specific invoice numbers issued by the department. It is very important to **avoid issuing duplicate invoice numbers** to customers. If there are multiple individuals in a department that are issuing invoices and happen to have the same initials, the main financial officer of the department must assign separate 2-digit identifiers to each individual to ensure duplicate invoice numbers are not issued.

6. Reference Number

The 'Reference Number' field should be filled in with the customer's Purchase Order # or the Queen's Quote #, if either is applicable. This field is used to provide the customer with a reference number that will be useful for their purposes, and can be left empty when not applicable

7. Terms

The 'Terms' field should show when payments are due from the customer. The default is set at "Due immediately", but can be changed to "Net 30 Days" if immediate payment is not required. In no case should the payment terms granted to a customer exceed 30 days. If a situation arises where you feel this may be required, please contact Financial Services to discuss before proceeding.

8. Currency

The 'Currency' field should show the currency that the payment is due in. The default is set as Canadian Dollars (CAD). If you are invoicing in a currency other than Canadian Dollars, the journal entry will need to be recorded at the Canadian dollar equivalent, using the exchange rate in effect

on the invoice date. Please contact Financial Services if you are invoicing in a currency other than CAD to address any questions you may have on the recording of the invoice in PeopleSoft.

9. Description

A specific description of the goods and/or services delivered to the customer should be provided on the invoice.

There should be sufficient detail such that:

- the customer has no difficulty identifying the purpose of the invoice

- the customer receives the information/details that they require. This may include the dates for which services were provided, the date goods were delivered, product information, or any other relevant information.

- the described items or services agree to the customer purchase order or work order. If applicable, ensure that the customer's authorization for any changes to the original work order are referenced

- whenever a quote has been provided, the charges should be referenced to the selling department's final quote as communicated to the customer (e.g. as per the quote dated…)

10. Quantity and Unit Price

When applicable, the Quantity ('Qty') and 'Unit Price' fields should be completed to provide adequate detail for the calculated Amount

11. Tax Rate

The 'Tax Rate' field at bottom-right of Invoice should be filled in with the Tax rate applicable to the item(s) sold. If you are unsure of what tax rate would apply to any particular sale, there is guidance on the Financial Services website on this subject. Tax rates, examples of university sales that are taxable, and those services which are zero-rated or exempt from HST, can be found in the 'Queen's Tax Status Chart, and information on which provincial taxes should be applied can be found in the 'Place of Supply Rules' section of the website.

If it is still unclear what tax rate should be applied, please contact Financial Services to ensure the right rate is applied. The Tax Rate field is multiplied by the pre-tax invoice amount and this amount will show in the "HST" field. If you are billing for goods or services delivered outside of Ontario, and a tax rate other than HST is to be applied, such as GST/PST applicable in some Canadian provinces, please change the field that says "HST" to the name of the correct tax being applied. Please contact Financial Services if you have any questions on how to present taxes appropriately on the invoice in such instances.

12. Other

Any other non-taxable charges will be entered in the "Other" box.

Distribution of Invoice Copies

If sending the invoice to the customer by mail, send two copies; an original invoice and a remittance copy. If sending the invoice to the customer by email, remind the customer in the email to send a copy of the invoice with the payment.

Keep a copy of the invoice in the department files. Financial Services does **not** require a copy of the invoice.

RECORDING INVOICES ISSUED

Departments are responsible for recording all invoices issued in the month by posting journal entries in the PeopleSoft system. Information on how to record invoices in PeopleSoft using journal entries can be found on the Financial Services website within the [Learning Catalogue](#), under the topic: Accounts Receivable – Preparing & Processing Queen's Invoices.

Important Points to Remember:

The journal entries for invoices issued should be recorded in the same month as they were issued.

When recording the journal entry in PeopleSoft, the following should be done:

- **Debit** account **120119** (A/R – External Sales) for **'Total' amount on invoice**

  - **The Standard Invoice Number** should be entered in the *'Open Item Key'* **field** on this line (and this line only) of the journal entry (include the dashes in the invoice number when entering in this field)

  - Fund 10000 should be used for this line of the journal entry, and no Program or Class code should be entered on this line

  - If the invoice is research-related, the project # must be entered in the *'Project'* **field** on this line of the journal entry (and on the line item crediting revenues as well)

- **Credit appropriate revenue ChartField** for the 'Subtotal' amount on the invoice. This represents the pre-tax amount(s) billed to the customer. Do not enter anything in the 'Open Item Key' field – this should only be filled-in for journal lines hitting the 120119 account.

- **Credit** the appropriate **HST/GST/PST accounts** for the tax amount on the invoice**.** Account 210080 is the G/L account for HST Collected, and therefore should be the tax account credited when HST is charged. Do not enter anything in the 'Open Item Key' field – this should only be filled-in for journal lines hitting the 120119 account.

- The **'Description' field** of each line of the JE should start with **Customer Name**, followed by a brief **description of the sale.** Ensuring the description field starts with the customer name will enable the Department to be able to sort the A/R Open Item Report (which summarizes all A/R invoices outstanding) in PeopleSoft by vendor.

  - If an invoice is issued in a currency other than Canadian dollars, the journal entry must be for the Canadian dollar equivalent, translated as at the invoice date. If this is the case,

please contact financial services to ensure that the proper currency translation is reflected in the journal entry.

PAYMENT PROCESSING

Customers should remit their payments directly to Financial Services.

Customer remittances should be made immediately upon receipt of the invoice, and should include both their cheque and the Remittance Copy of the invoice. The cheques should reference the invoice number(s) associated with the payment in order to ensure the payment(s) get applied correctly. **All remittances should be sent to the following address:**

Queen's University
Financial   Services
207 Stuart Street
Kingston, ON, K7L 3N6

Any remittances received directly by the department should be sent immediately to Financial Services to be deposited. Please ensure the invoice number is referenced on the remittance before sending it on to Financial Services.

A deposit transmittal form does not need to be completed by the Department if the payment received is for items invoiced to the customer. Payments received will be matched by Financial Services using the invoice number and the Open Items Report in PeopleSoft, which will identify the deposit being made. This will result in a reduction in the number of requests from Financial Services to the departmental contacts for information regarding cash receipts.

Financial Services will record the payment with a journal entry that will include a debit to cash in the General Ledger, and a credit to A/R, which will clear the invoice from the Open A/R Report in PeopleSoft. Financial Services will ensure that all payments received in each month that have the associated invoice number referenced or invoice attached will be recorded in the fiscal period in which they were received in the Financial Services office.

Note: *If a payment is received by the department for an item that was not invoiced, then a Deposit Transmittal form should be filled out and sent along with the cash and/or cheque to Financial Services to be processed.* The form can be found at the following link:
http://www.queensu.ca/financialservices/forms/FIN-FRM-005-DepositTransmittal_2011-03-24.pdf

CREDIT NOTES

Instances can arise where a customer does not receive the goods or services ordered, or an invoice was issued in error. In these instances, a credit note should be issued.

The **Queen's Credit Note Template** is used to issue a credit note to a customer.

Important Points to Remember:

▢   The dollar amount shown on the invoice should be a negative number.

- The invoice *Description* section should identify that this is a "**Credit note for**" followed by a description of the goods and services and the reason for the credit note. This section should also **reference the related original invoice number**.

- The credit note should have a separate invoice number than the related original invoice. Do **not** use the **original** invoice number for the new credit note. The related original invoice number should be entered in the designated box in the top-right section of the credit note, below the credit note number.

- It is important to have control over the issuance of credit notes.

Recording Credit Notes Issued

Departments are responsible to record all credit notes issued in the month by posting journal entries in the PeopleSoft system.

Information on how to record invoices in PeopleSoft using journal entries can be found on the Financial Services website at:

> http://www.queensu.ca/financialservices/support/reourcematerial/psjournalentry.html

Important Points to Remember:

The journal entries for credit notes issued should be recorded in the same month as they were issued.

When recording the journal entry in PeopleSoft for a Credit Note, the following should be done:

- **Credit** account 120119 (A/R – External Sales) for 'Total' amount on the credit note
    - The Credit Note Number should be entered in the 'Open Item Key' field on this line (and this line only) of the journal entry (include the dashes in the invoice number when entering in this field)
    - Fund 10000 should be used for this line of the journal entry, and no Program or Class code should be entered on this line
    - If the credit note is research-related, the project # must be entered in the *'Project'* field on this line of the journal entry (and on the line item debiting revenues as well)

- **Debit** appropriate revenue ChartField for the 'Subtotal' amount on the credit note. This represents the pre-tax amount(s) credited to the customer.

- **Debit** HST/GST &/or PST G/L accounts for the tax amount
    - Account 210080 is the G/L account for HST Collected, and therefore should be the tax account debited when HST charges are reversed

- The 'Description' field of each line of the JE should start with Customer Name, followed by a brief description of the credit.

- If a credit note is issued in a currency other than Canadian dollars, the journal entry must be for the Canadian dollar equivalent, translated as at the invoice date. If this is the case, please

contact financial services to ensure that the proper currency translation is reflected in the journal entry.

TRACKING OUTSTANDING INVOICES - A/R OPEN ITEM REPORT

To view invoices that are outstanding, **the A/R Open Item Report** can be run in PeopleSoft. This Report will show all outstanding receivables as at a point in time, and can be ran by Open Item Key (Invoice Number), Department #, or by Project ID.

To run the report in PeopleSoft, the following steps should be followed:

On the Main Menu (left side menu), click on General Ledger, Open Items, A/R Open Item Report

1. The A/R Open Item Report processing window will open (if the 'Search Criteria' screen opens, click on 'Search' to proceed to the A/R Open Item Report window)

This screen is where you can specify what you would like the A/R Open Item Report to include, specifically:

- the "**As of Date**". The report will show only the invoices (and cash receipts, if 'Show Open Only' is not selected) recorded in the system with a posting date of the 'as of date' or earlier.
- Any specific **Open Item Key** (Invoice Number), **Department**, or **Project ID**'s. If none of these are specified, the report will show all the Open Item line items for the Departments that the user has access to view in PeopleSoft.
- The "Show Open Only" selection
  - If you would like to see all invoices and cash receipts to date, leave this box un-checked
  - If you would like to see only invoices that are issued and outstanding (uncollected) as at the 'as of' date, then click the box to 'Show Open Only'
- Click on "Run" button when you have specified the report parameters as required

2. The Process Scheduler Request window opens (make sure that it looks like the example below)

Select the format that you would like the report to be generated in. Choose 'XLS' for an Excel document or 'PDF' for a PDF Document, and then click on the "OK" button to run the report.

3. The Open Item Report will open in the format specified by the requestor

The information shown in the A/R Open Item Report includes:

- 'Open Item Key' – this is the invoice number
- 'Description' – should show the Name of the Customer and brief info on the items invoiced

- 'Amount' – this will show positive amounts for the amounts in Accounts Receivable (invoiced and uncollected), and negative amounts for the payments received that have been applied to the A/R invoices
- 'Open Item Status' – this will show as "O" (for 'Open') for the amounts in Accounts Receivable that are invoiced and as of yet uncollected. This will show as "C" (for 'Closed') for the Invoice and Cash Receipt lines where the invoice has been fully collected, and is no longer outstanding.
    - Please note that "C" line items will only be shown in the report if the "Show Open Only" box was left unchecked on the selection screen before the report was run.
- 'Project' – this is the project number for research project billings, which can be used to sort the report by project as required.
- 'Open Date' – this is the invoice date
- 'Days Outstanding' column – shows the number of days from the "as of date" specified for the report and the "Open Date" (Invoice Date). This can be used to identify which outstanding invoices require follow-up/collection efforts by the Department. Please note that this column will only show values for items with an 'Open Item Status' of "O" (for 'Open'), as it is only relevant for the amounts in Accounts Receivable that are outstanding/uncollected.

COLLECTION RESPONSIBILITIES

The selling department is responsible for the collection of amounts due. This is not the responsibility of Financial Services, as the Department issues the invoices, has the required knowledge of the transactions, and has the business relationship with the customer. Financial Services does not contact customers, or otherwise pursue outstanding accounts receivable.

The selling department:
- is responsible for following up on all unpaid invoices issued to delinquent customers 45 days after the invoice date - this would normally include re-sending a copy of the invoice and phoning the customer
- a final demand notice should be issued by the selling department 60 days after the invoice date

Note: *If the amount is not collected within six months from the date of the original transaction, Financial Services will charge the amount back to the selling department through a journal entry that reverses the A/R and revenues originally recorded.*

<p align="center">**Chargebacks = lost revenue**</p>

The selling department should work to avoid chargebacks by taking a proactive approach before this stage. The selling department should act promptly in contacting delinquent customers.

Note: *Special attention should be given to accounts in the 90-days-and-over categories.*

Uncollected Amounts - Chargebacks

As noted above, amounts which are not collected from customers are charged back to the selling department by Financial Services.

"Chargebacks" for uncollected accounts receivable include the following:

- Small amounts representing differences between payments received and the amount of the original invoice (of $100 or less), which are cleared to the department's accounts without prior consultation.

🞏 **Amounts outstanding after six months** from the date of the invoice.

At the time the amount is charged back, an email is sent by Financial Services to the selling department which will include information on the invoices and amount(s) charged back.

Chargeback Recoveries

If amounts charged back to the selling department are subsequently recovered, they will be credited to an appropriate departmental account by Financial Services.

For more information or questions regarding Accounts Receivable – Invoicing External Customers

🞏 Send an email to accounts.receivable@queensu.ca or

🞏 Call Financial Services at 613-533-2050