

A Basic Introduction to Accounts Receivables

If one were to reduce business to the simplest terms, one would probably call it the selling of goods by one person, and the buying of those same goods by another. Thus, whether we pay cash or run up a tab while doing business, money has to change hands during the course of a business transaction.

Accounts receivables is one such type of a business transaction. It refers to the way of dealing with amounts of money that are owed to a business by its customer. On the balance sheet of a company, accounts receivable refer to the amount of money that a customer owes it. Accounts receivables are also referred to as trade receivables, which makes the concept a little clearer. As this is a debt related amount, it appears under the category of current assets on the balance sheet of the company.

An accounts receivables transaction is generally carried out by means of an invoice which is sent to the customer with the aim of informing him of the duration within which the debt amount must be paid off. The term within which the debt has to be paid may be thirty days, forty-five days, sixty days, or even as much as ninety days. However, the duration of the debt depends entirely on the debtor and the creditor.

Various payment practices may be followed. These practices may be determined by the various industry standards. They may also be colored by the financial status of the debtor, or affected by the company's corporate policy.

Larger business organizations usually have to resort to the development of an entire accounts receivables department to look into the various kinds and amounts of debts that its customers owe it. A sales ledger is usually used to record transactions that pertain to accounts receivables.

Anyone who is starting out on a new business venture would have to learn about the various kinds of accounting terms and practices that are carried on within various industries. To get into a business undertaking without adequate study of the various accounting practices would be committing professional hara-kiri. Accounts receivables is only one of the many kinds of transactions that prevail in a business setting.

No matter what noble work you hope to do through your business, ultimately you would want it to be financially sound. So, you should make sure to find out about the many financial transactions that will enter into the picture once you start selling your products or services.

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About the Author

Ajeet Khurana is a web enthusiast and an author. He recommends: [Accounts Receivables](#), [Accounts Receivable Management](#) and [Debt Collection Services](#).