

1200 Accounts Receivable

A. Overview

Accounts receivable include all amounts claimed by the Crown against debtors. Amounts claimed may arise from, but are not limited to the following:

- taxation and royalties;
- fines, forfeitures and penalties;
- accountable advances;
- provisions of goods and/or services;
- leases, licenses and permits;
- transfers from other governments;
- shareable and recoverable expenditures (e.g., pursuant to cost sharing agreements);
- overpayments; and
- interest.

Accounts receivable do not include loans, advances and investments.

B. Accountability

Ministries are responsible for maintaining records and ledgers in detail as well as balance sheet accounts in the Government's central financial system.

Ministries are required to:

- establish accounts receivable records, which at a minimum:
 - properly and correctly identify the client, transaction, date and amount for all accounts receivable;
 - enable ministries to monitor and report the level and age of accounts receivable on a monthly basis;
 - identify overdue accounts and facilitate vigorous collection action;
 - accurately record all payments on account, revenues, correcting or adjusting entries, valuation allowances and amounts written off or cancelled; and
 - where interest charges are authorized by legislation or by Treasury Board, record the accrual, receipt and write-off or cancellation of interest on overdue accounts.
- maintain separate subsidiary ledgers for each balance sheet account;
- record account summary information in control accounts (e.g. totals); and
- monthly, at a minimum, reconcile the balances of the control accounts to the total of the individual account balances in the subsidiary ledger.

C. Procedures

There are two accounts receivable processes within MIDAS. Some ministries use the Accounts Receivable (AR) Module, while other ministries use the general accounts receivable process.

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C. Procedures *(continued)*

The following are MIDAS balance sheet accounts for accounts receivable:

MIDAS AR Module

- 107100 – Accounts Receivable – from Accounts Receivable
- 107110 – Accounts Receivable Bank Deposit Clearing Account
- 107120 – Accounts Receivable Valuation Allow – from Accounts Receivable

General Accounts Receivable Process

- 107000 – Accounts Receivable – General
- 107020 – Accounts Receivable – Valuation Allowance

The accounts receivable account is used to record the gross amount owing to the Government. The valuation allowance account is used to record the uncollectible portion of the accounts receivable. Refer to [Appendix A – General Revenue Fund Year-end Procedures and Schedules](#) for valuation allowance and write-off procedures and FAM [Section 3725 Write-off or Cancellation of Accounts Receivable](#) for policy regarding the write-off or cancellation of receivables.

If the general accounts receivable process is used, ministries must maintain a separate listing of individuals owing funds as there is no supplier detail in the MIDAS General Ledger (GL) Module.

C1. Throughout the Year

Accounts receivable can be set up and adjusted at any point during the year. For ministries using the AR Module all entries are prepared through the module.

For ministries using the general accounts receivable process, entries are made through the GL Module:

Example 1.1

Ministry X records \$10,000 in accounts receivable for amounts invoiced and owed.

Debit	107000 Accounts Receivable - General	10,000	
Credit	4xxxxx Revenue		10,000

* journal entry to set up an accounts receivable in the GL Module, details of the accounts receivable client must be maintained in a separate subsidiary ledger.

Debit	100000 Cash	10,000	
Credit	107000 Accounts Receivable - General		10,000

* journal entry to record cash payment received.

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D. Procedures *(continued)*

C2. Quarter end

Ministries using the general accounts receivable procedures need to monitor account 107000 – Accounts Receivable – General. This account may contain uncleared receivables set up at year end. Ministries need to monitor these receivables and review the account at quarter end to ensure that amounts received during the quarter have been recorded as a reduction to account 107000 rather than coded to revenue. If an amount is incorrectly recorded as revenue a journal entry must be done to correct the original entry and record the payment against the receivable.

Example 2.1

Ministry X recorded \$7,000 in accounts receivable for amounts invoiced and owed as at March 31. When the payment was received on June 1, it was recorded as revenue instead of a reduction in the accounts receivable.

Year 1

Debit	107000 Accounts Receivable - General	7,000	
Credit	4xxxxx Revenue Account		7,000

* journal entry made to record the accounts receivable and revenue at March 31

Year 2

Debit	100000 Bank Account	7,000	
Credit	4xxxxx Revenue Account		7,000

* journal entry made to record the receipt of cash on June 1

Debit	4xxxxx Revenue Account	7,000	
Credit	107000 Accounts Receivable - General		7,000

* journal entry made to adjust the previous deposit, details of the payment must be applied to the client account in the subsidiary ledger.

C3. Year end

If the exact amount of a receivable is not known, a reasonable estimate should be made. When the amount is received, it is possible that it may differ from the estimate. If the cash received exceeds the estimate, the excess is recorded as new year revenue and coded to the appropriate revenue account. If less cash is received, the shortfall is treated as a reduction of the same revenue type in the new year.

Accounts receivable can be set up in two ways in MIDAS.

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C. Procedures (*continued*)

C3. Year end (*continued*)

In the AR Module, amounts receivable at March 31 are recorded as a receivable. The 'Accounts Receivable Period End Reconciliation Close' procedures provided to your ministry upon set up in the AR Module should be followed. As outlined in the procedures, ensure that the AR Module balances to the GL account.

The accounts receivable bank deposit clearing account (107110) must have a 'zero' balance at year end.

In the GL Module, to accrue old year revenue, when no cash is received by March 31, a journal entry with the category 'accrual' can be used to record accounts receivable in account 107000 Accounts Receivable – General.

Cash receipts are recorded by ministries in the new year, with a 'bank deposit' category journal entry (credit account 107000).

Example 3.1

Ministry X records a \$250,000 accrual at March 31 for the estimated revenue earned in March. The exact value of services provided by March 31 was not known and was estimated. Details of the services provided and payment were received in May and totaled \$300,000. Ministry X applies the payment against the receivable and records the \$50,000 difference as revenue in the new year.

General Accounts Receivable Process

Year 1

Debit	107000 Accounts Receivable - General	250,000	
Credit	4xxxxx Revenue		250,000

* journal entry to accrue revenue; journal category should be 'accrual'

Year 2

Debit	100000 General Revenue Fund Bank Account	300,000	
Credit	107000 Accounts Receivable – General		250,000
Credit	4xxxxx Revenue		50,000

* journal entry to record payment and revenue; journal category should be 'bank deposit'

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C. Procedures (*continued*)

C3. Year end (*continued*)

Example 3.2

Ministry X records a \$250,000 accrual at March 31 for the estimated revenue earned in March. The exact value of services provided by March 31 was not known and was estimated. Details of the services provided and payment were received in May and totaled \$225,000. Ministry X applies the payment against the receivable and records the \$25,000 difference as a reduction of the same revenue type in the new year.

General Accounts Receivable Process

Year 1

Debit	107000 Accounts Receivable - General	250,000	
Credit	4xxxxx Revenue		250,000

* journal entry to accrue revenue; journal category should be 'accrual'

Year 2

Debit	100000 General Revenue Fund Bank Account	225,000	
Credit	107000 Accounts Receivable - General		225,000

* journal entry to record payment and partially reduce the accrual; journal category should be 'bank deposit'

Debit	4xxxxx Revenue	25,000	
Credit	107000 Accounts Receivable - General		25,000

* journal entry to remove the remaining accrual

Ministries are annually required to report accounts receivable to the Provincial Comptroller's Office (PCO) as outlined in [Appendix A - General Revenue Fund Year-end Procedures and Schedules](#).

D. Definition

Accounts receivable are all amounts claimed by the Crown against debtors. The claims arise from taxation and royalties; fines, forfeitures and penalties; accountable advances; provisions of goods and/or services; leases, licenses and permits; transfers from other governments; shareable and recoverable expenditures (e.g., pursuant to cost sharing agreements); overpayments; and interest.

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E. References

[Appendix A - General Revenue Fund Year-end Procedures and Schedules](#)

Financial Administration Manual

[3700 Control of Accounts Receivable](#)

[3705 Credit Terms](#)

[3710 Accounts Receivable Records](#)

[3715 Collection Activities](#)

[3720 Collection Agency Fees](#)

[3725 Write-off or Cancellation of Accounts Receivable](#)

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