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Accounts Receivable (AR)

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What Is Accounts Receivable (AR)?

Accounts receivable (AR) is the balance of money due to a firm for goods or services delivered or used but not yet paid for by customers. Accounts receivables are listed on the balance sheet as a current asset. AR is any amount of money owed by customers for purchases made on credit.

Prepared by Eng.Maged Kamel.

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KEY TAKEAWAYS

- Accounts receivable is an asset account on the balance sheet that represents money due to a company in the short-term.
- Accounts receivables are created when a company lets a buyer purchase their goods or services on credit.
- Accounts payable is similar to accounts receivable, but instead of money to be received, it's money owed.
- The strength of a company's AR can be analyzed with the accounts receivable turnover ratio or days sales outstanding.
- A turnover ratio analysis can be completed to have an expectation when the AR will actually be received.

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Notes Receivable Definition

The notes receivable is an account on the balance sheet usually under the current assets section if its life is less than a year. Specifically, a note receivable is a written promise to receive money at a future date. The money is usually made up of interest and principal.

Notes Receivable Explained

A note receivable is often formed when a business, usually a bank, makes a loan to another business. A note will often be for less than a year, but some can be well in excess of this time frame. Recognize notes receivable income as interest income on the income statement. Thus, when payment is made the amounts effect the balance sheet as well as the income statement.

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Notes Receivable Example

Money Bank is extending a $100,000 90 day note to Toys Inc. so that they can fund some of its short term needs for financing during the year. The note has an interest rate of 5% and is recorded by the bank as a note receivable on Money's balance sheet under the current assets section. At the end of the term, Toys inc. will pay the $100,000 in principal back to Money Bank, and approximately $1,233 (100,000 * 90/365 * .05) worth of interest. Record the amount as interest income on the incomes statement at the end of the year.

Prepared by Eng.Maged Kamel.

What are Marketable Securities

Marketable securities are liquid financial instruments that can be quickly converted into cash at a reasonable price. The liquidity of marketable securities comes from the fact that the maturities tend to be less than one year, and that the rates at which they can be bought or sold have little effect on prices.

KEY TAKEAWAYS

- Marketable securities are assets that can be liquidated to cash quickly.
- These short-term liquid securities can be bought or sold on a public stock exchange or a public bond exchange.
- These securities tend to mature in a year or less and can be either debt or equity.
- Marketable securities include common stock, Treasury bills, and money market instruments, among others.

https://en.wikipedia.org/wiki

A **material** is a substance or mixture of substances that constitutes an object. Materials can be pure or impure, living or non-living matter. Materials can be classified on the basis of their physical and chemical properties, or on their geological origin or biological function. Materials science is the study of materials, their properties and their applications.

Raw materials can be processed in different ways to influence their properties, by purification, shaping or the introduction of other materials. New materials can be produced from raw materials by synthesis.

In industry, materials are inputs to manufacturing processes to produce products or more complex materials.[1]

Prepared by Eng.Maged Kamel.

MATERIALS

https://blog.craftybase.com/

Materials on the other hand defined as any thing you consumed directly In the manufacture products. For a hand made business this will mostly be what you are dealing with on a day-to-day basis. Material are always added to your inventory instantly when purchased. Which the total value Of is treated as an asset until sold.

So, What does this mean exactly? It means that you do not claim the purchase of material up-front rather you claim in small amounts slowly over time as you sell the products containing the materials   (this tally is known as your CCGS - ·cost of goods sold).

This is a tricky thing to track so you will most definitely need inventory or software or a pretty amazing spreadsheet to do the crazy calculations that
COGS requires. Otherwise, you will be needing to maintain a rolling average of your material costs and manufacture costs over time ‘yourself to ensure you are attributing correct costs to each item Sell.

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