

Receivables Management - Payment Confirmation and Customer Clearing Guidelines

Tasks to be completed when creating an operating procedure (from creation to publication)

1. Enter the **Title of the procedure**: Description of the operating procedure - Region (*APAC, EMEA, LAM, NAM*) - Country (*Optional*) - ERP (*PI 1, PF1, WP1*)
2. Add the following Labels :
 - Region: [apac](#), [emea](#), [lam](#), [nam](#)
 - ERP: [pf1](#), [pi1](#), [wp1](#)
 - Domain & Process using the [List of labels to be used in the space CCT](#)
3. Fill all fields as described
4. SAP transactions :
 - a. notify them on the right : References , Link the SAP transaction name notified here with the SAP transaction page registered in [the file](#) (page address)
 - b. notify the transaction SAP inside the document in the appropriate place and add a macro : Include Content - Search the name of the page and Save
5. Once the procedure is completed, publish it using the [SBS-OtC approval workflow](#)

- [Receivables - The Concept](#):
- [Bank Account payment allocation and Customer Clearing](#):

Objective and Scope

The objective of this document is to describe the concepts and guidelines to be applied to manage the Account Receivables ledger in Solvay following the rules and compliance standards on Payment Application, Cash Management and Customer Account clearing.

1. Receivables - The Concept:

When the invoice is created, the sale is recorded in the accounting system. However, since no money is actually received (sale with credit terms), at that point you cannot record the entry in the bank account. To deal with this, special Asset accounts are created to record these payments. This is called 'Accounts Receivable' (asset account).

To enter an Invoice (Sale), the entries are the following:

Accounts Receivable (Asset)	\$100.00	Debit (increase balance)
Product Sales (Income)	\$100.00	Credit (increase balance)

When a payment is received, the income does not change - consider the sale has already taken place and is recorded. Therefore, this step consists of recording the payment in the bank account and removing it from the AR account.





The payment record looks like the following:

Bank Account (Asset)	\$100.00	Debit (increase balance)
Accounts Receivable (Asset)	\$100.00	Credit (decrease balance)

1. Bank Account payment allocation and Customer Clearing:

As the payment is received in the Bank Account, the entry is recorded in the ledger's Bank Account and cleared in the AR Account, this "clears the customer". In order to process an entry in the Bank Account ledger the funds must be available in Solvay's bank account (at the Bank) and ready for use by Solvay.

Scope

-  APAC
-  EMEA
-  LAM
-  NAM

ERP

-  PI1
-  PF1
-  WP1

References

Attachments

Therefore, following the current IFRS and Accounting Principles even if there is proof that a payment has been made it should not be accounted for until it reaches Solvay's bank account - under this premise, no Customer Clearing is possible before the funds have effectively reached Solvay's bank account.

If at month end we have invoices coming due and a payment is sent to Solvay but only reaches the bank account in the following period, it should be accounted for only in the following period - there is no threshold or exception to this rule as doing it differently might cause overstatement of Bank Accounts and understatement of AR Account.