Standard Operating Procedure (SOP): Collection, Payment Posting, and Reconciliation of Outstanding Dues

This SOP details the processes for **collection, payment posting, and reconciliation of outstanding dues**, encompassing the systematic approach to tracking receivables, recording payments accurately, and ensuring all financial records are balanced. It aims to enhance cash flow management, minimize discrepancies, and ensure timely resolution of outstanding payments through clear guidelines for monitoring invoices, applying payments, and resolving any payment disputes.

1. Purpose

To provide clear and consistent procedures for the collection of due payments, accurate posting of received payments, and reconciliation of outstanding dues to maintain financial integrity and healthy cash flow.

2. Scope

This SOP applies to all employees involved in the accounts receivable process, including collections, payment posting, and reconciliation activities.

3. Responsibilities

- **Accounts Receivable Team:** Monitor invoices, request payments, and post payment transactions.
- **Finance/Accounting Team:** Reconcile accounts, resolve disputes, and ensure records accuracy.
- **Supervisors/Managers:** Oversee process adherence, address escalations, and ensure compliance.

4. Procedure

4.1 Invoice Monitoring & Collection

1. Generate and send invoices to customers as per company schedule and terms.
2. Track outstanding invoices regularly through the accounting system.
3. Send reminders for overdue invoices as per the escalation matrix (e.g., email, phone calls).
4. Record customer commitments and payment plans as discussed.
5. Escalate long overdue accounts as per company policy.

4.2 Payment Receiving & Posting

1. Receive payments via approved methods (bank transfer, cheque, online, etc.).
2. Verify payment details (amount, payer details, reference/invoice number).
3. Post payments to the corresponding accounts/invoices in the accounting system within 1 business day.
4. Issue receipts or acknowledgements to customers as needed.
5. Flag and report any discrepancies or unidentified payments to management.

4.3 Reconciliation

1. At regular intervals (e.g., weekly or monthly), reconcile all receivable accounts.
2. Compare posted payments with bank statements/transaction records to ensure accuracy.
3. Identify and investigate discrepancies (e.g., short payments, duplicate payments, missing entries).
4. Work with customers and internal teams to resolve discrepancies promptly.
5. Document reconciliation results and update outstanding dues records.

5. Dispute Resolution

1. Log any payment disputes received from customers.
2. Investigate issues promptly by reviewing contract terms, payment records, and correspondence.
3. Communicate findings to relevant parties and propose resolution (credit note, re-invoice, etc.).
4. Document the resolution and update both parties accordingly.

6. Documentation & Reporting

- Maintain accurate and up-to-date records of all invoices, payment receipts, and reconciliation reports.
- Generate and submit periodic reports on outstanding dues, collections, and reconciliation status to management.

7. Review & Compliance

- Review this SOP annually or as required to ensure relevancy and compliance with financial policies.
- Ensure all employees involved are trained and informed of any updates.

8. Escalation Matrix (Sample)

Day Overdue	Action	Responsible
1–15 days	First reminder email	AR Staff
16–30 days	Second reminder call	AR Supervisor
31+ days	Formal escalation to management	Finance Manager

9. References

- Company Credit Policy
- Accounts Receivable User Manual
- Relevant Accounting Standards

10. Appendix

- Sample Invoice Template
- Payment Receipt Format
- Reconciliation Checklist