

**DIPLOMA IN BUSINESS PROCESS
OUTSOURCING - FINANCE AND
ACCOUNTING (DBPOFA)**

Term-End Examination

June, 2014

**BPOI-004 : ORDER TO CASH ACCOUNTS
RECEIVABLE**

Time : 3 hours

Maximum Marks : 100

Note : Section - I - All questions are compulsory.

Section - II - Answer any six questions out of eight.

Section III - Question No. 11 is compulsory. Answer any three questions from question No. 12 to 16.

SECTION - I

All questions are **compulsory** in this section.

1. Fill in the blanks :

- (a) _____ team recognizes the customer payments against appropriate invoices. 1
- (b) The third party which provide credit related information on a prospective customer is called _____. 1
- (c) The cash application team needs _____ and _____ documents to apply cash against the specific invoices. 1
- (d) The rate of number of payments actually received to the number of payments committed is called _____. 1
- (e) The maintainance of sales related documentation to enable revenue recognition is the responsibility of _____. 1

2. **True or False :**
- (a) Prompt collection eases the pressure on the working capital of the company. 1
 - (b) Dunning letters are sent before the legal notice. 1
 - (c) Credit check is not an activity that needs to be done again and again. 1
 - (d) Confirmation of a purchase order does not lead to any accounting transaction. 1
 - (e) Revenue risk is mitigated by making sure that the dues are collected from customers in time. 1

SECTION - II

Attempt **any six** questions out of **eight** :

- 3. What are the key metrics used to measure the performance of cash application team ? 5
- 4. Explain the following terms in O2C process : 5
 - (a) Remittance Advice
 - (b) Dunning Letters
 - (c) Service Contract
 - (d) Credit Note
- 5. Explain :
 - (a) Liquidity risk 2.5
 - (b) Credit risk 2.5
- 6. Write the Journal entries for the following O2C transactions :
 - (a) Sold goods for cash 2.5
 - (b) Created a provision for bad debts 2.5
- 7. Explain the term Credit limit and Credit period in O2C cycle². 5
- 8. Compare the advantages and disadvantages of the e-mail and telephone calls as collection tools. 5

9. Explain the role of a collection agent in collecting the dues for the seller. 5
10. What are the metrics that are tracked in the invoicing team ? Explain in detail. 5

SECTION - III

Question No. 11 is compulsory and any three questions 12 to 16 :

11. Explain the consequences of poor quality control in O2C processes. 15
12. Explain the risks involved in the O2C processes. How are these risks mitigated ? 15
13. Explain the following ratios in the collection pyramid : 15
- (a) Penetration rate
 - (b) Contact rate
 - (c) Promise rate
 - (d) Kept rate
14. What are the technology and tools used for O2C outsourcing ? 15
15. Explain the cash application process. What are the source documents that are needed to apply cash ? 15
16. How do you measure performance of the Collection Team ? 15
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