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BPOI-004/104

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

Term-End Examination

June, 2024

**BPOI-004/104 : ORDER TO CASH (O2C)–
ACCOUNTS RECEIVABLE**

Time : 3 Hours

Maximum Marks : 100

Note : (i) **Section I** : All questions are compulsory.

(ii) **Section II** : Answer any **six** questions out of eight.

(iii) **Section III** : Question No. 11 is compulsory. Answer any **two** from the rest.

Section—I

1. Fill in the blanks : 1×5=5

(a) The full form of SOX is

P. T. O.

- (b) When the invoices become overdue are sent to the customers asking them to pay immediately.
- (c) document is prepared by the buyer on receiving the shipment of goods.
- (d) Collection call in the USA needs to be compliant with Act.
- (e) The ratio which measures the current assets–inventory/stocks to the current liabilities of a business is called ratio.
2. State whether the following statements are True or False : 1×5=5
- (a) Collection of dues in a timely manner helps reduce bad debts.
- (b) Credit worthiness of a customer checked by the credit department.
- (c) As per the duality principle of accounting, source of funds is never equal to use of funds.

- (d) Penetration rate stands for the number of calls made per day.
- (e) A full credit note adjusts the entire amount stated on the invoice.

Section—II

Note : Answer any *six* questions out of eight.

- 3. Explain the responsibility of the sales department in O2C process. 5
- 4. “Collection function is critical to the financial health to buz.” Discuss this statement with regard to the O2C process. 5
- 5. Explain the use of the following source documents in the Order to Cash (O2C) cycle :
 - (a) Sales Order 2.5
 - (b) Remittance Advice 2.5
- 6. “Quality is the basis of any good performance and holds true in the OTC process.” Explain the statement in context of OTC process. 5
- 7. Explain the following with examples : 2.5 each
 - (a) Partial Credit Note
 - (b) Full Credit Note

8. Briefly describe how mail (postage) can be used as collection tool. 5
9. Briefly explain the month end activities carried out by the O2C teams. 5
10. Explain the challenges of outsourcing O2C processes in a location like India. 5

Section—III

Note : Question No. 11 is compulsory. Attempt any *two* questions from the remaining.

11. Write journal entries for the following O2C transactions : 20
 - (a) 50 tons steels costing ₹ 1,000 per ton invoice sent to customer ABC Ltd.
 - (b) Payment received from the customer (XYZ) for ₹ 55,000.
 - (c) Goods worth ₹ 60,000 shipped to the customer (at customer risk).
 - (d) Goods worth ₹ 10,000 shipped to the customer (at owner's risk).

- (e) Goods worth ₹ 7,500 are returned by the customer due to poor quality.
 - (f) Payment of ₹ 25,000 received from a customer (cash not applied because the customer not identified yet).
 - (g) Created a provision for bad debts for 3% of credit sales worth ₹ 1,00,000.
 - (h) Confirmed purchase order to the customer for supply of 100 tons of steel costing ₹ 500 per ton.
 - (i) A purchase order worth ₹ 75,000 received from customer PQR.
 - (j) Cash advance of ₹ 40,000 received from the customer against a purchase order.
12. What does Order to Cash mean ? In a step by step manner, explain the O2C process in brief starting from the receipt of purchase order from the customer. 5+15
13. Explain the stages in the order to cash process starting from pre-invoicing stage till quality checks and audit. 20

14. Why should the customer account set up team be kept separate from the order management team ? What are the controls required in customer account setup ? 15+5
15. Discuss the consequences of a poor quality control in the O2C process. 20