“THE RELATIONSHIP BETWEEN ACCOUNT PAYABLE AND COMPANY PERFORMANCE”

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ABSTRACT

Account Payable is the gatekeeper of the organization’s funds. Without AP best practices, there’s a risk of “leakage” of those funds through duplicate or erroneous payments, missed invoice discounts, late-payment penalties, misuse of funds, and outright fraud. The issues that would like to highlight in this study is regard whether this company adapt the actual theories of account payable management in their operation and how well the company’s account payable management operates toward company performance. The data of this study are gathered from both primary and secondary data. Ratio analysis has been used to compare the company performance for five years. It has been identified in the findings that the company has adapted the actual theories of account payable in their operation. However, a further study need to be carried on because the account payable functions have changed radically over the past decade and this transformation continues. Base on the result of this study, some recommendation has been proposed which hopefully can help them to improve their business performance in the future.
1.0 INTRODUCTION

1.1 BACKGROUND OF STUDY

According to Thomas R. Robinson, the definition of Accounts Payable (AP) are amount that a business owes its vendors for goods and services that were purchased from them but which have not yet been paid. Accounts payable is an accounting entry that represents an entity's obligation to pay off a short-term debt to its creditors. The accounts payable entry is found on a balance sheet under the heading current liabilities. Accounts payable are often referred to as "payables". Another common usage of AP refers to a business department or division that is responsible for making payments owed by the company to suppliers and other creditors.

Apart from that, Accounts payable are debts that must be paid off within a given period of time in order to avoid default. Each demands payment for goods or services rendered and must be paid accordingly. If people or companies don't pay their bills, they are considered to be in default.

2 www.investmentdictionary.com
3 http://www.investopedia.com/terms/a/accountspayable.asp