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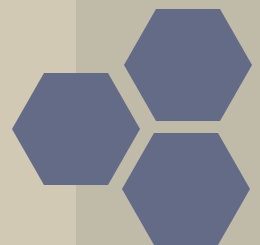


ACCA F9

Financial Management

财务管理

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Part C working capital management III

1

what is working capital

2

working capital management

3

working capital finance





Managing accounts receivables

1. What is accounts receivable ?

credit sale——先发货，后收款

2. The cost of credit sale

the value of the interest charged on an overdraft to fund the period of credit, or the interest lost on the cash not received and deposited in the bank.





Credit control policy :

- 1.The administrative costs of debt collection
- 2.The procedures for controlling credit to individual customers and for debt collection
- 3.The amount of extra capital required to finance an extension of total credit
- 4.The cost of the additional finance required for any increase in the volume of accounts receivable
- 5.Any savings or additional expenses in operating the credit policy
- 6.The ways in which the credit policy could be implemented
- 7.The effects of easing credit





Managing accounts receivables

是否为客户提供赊销？——Credit assessment

生产者需要进行Credit control

Initial investigation of potential credit customers and the continuing control of outstanding accounts

- 1) New customers should give two good references
- 2) Credit ratings might be checked
- 3) A new customer's credit limit should be fixed at a low level
- 4) For large value customers, a file should be maintained
- 5) Government departments can sometimes advise on overseas companies
- 6) Press comments may give information about what a company is currently
- 7) The company could send a member of staff to visit the company concerned,





Managing accounts receivables

Individual accounts receivable can be assessed using a *customer history analysis* and a *credit rating system*.

The overall level of accounts receivable can be monitored using an *aged accounts receivable* listing and *credit utilization report*

主要注意三个方面：

- Accounts receivable' payment records must be monitored continually.
- Credit monitoring can be simplified by a system of in-house credit ratings
- A customer's payment record and the accounts receivable aged analysis should be examined regularly





Managing accounts receivables

Early settlement discounts :

作用: reduce finance costs——costs and benefit trade off

什么是early settlement discounts ?

只出现在Credit sale 中 (2/30,n/60)

Percentage cost of an early settlement discount :

$$\left\{ \left[\left(\frac{100}{100-d} \right)^{\frac{365}{t}} - 1 \right] \right\} \%$$

d: discount offered

t: the reduction in the payment period in days that is necessary to obtain the early payment discount





Managing accounts receivables

Bad debt risk——在赊销中需要控制的**最大风险**

Ways to manage bad debt risk:

- **Factoring:** an arrangement to have debts collected by a factor company, which advances a proportion of the money it is due to collect
- **Invoice discounting:** the purchase (by the provider of the discounting service) of trade debts at a discount





Managing accounts receivables

Benefits of factoring:

- 1) The business receives early payment
- 2) Optimum inventory levels can be maintained
- 3) Growth can be financed through sales rather than by injecting fresh external capital
- 4) The business gets finance linked to its volume of sales.
- 5) The managers of the business do not have to spend their time on the problems of slow paying accounts receivable
- 6) The business does not incur the costs of running its own sales ledger department





Managing accounts receivables

对Foreign accounts receivables, larger bad debts risks, longer delivery time leads to larger investment on credit sale

How to do?

- Reducing the investment in foreign accounts receivable
- Reducing the bad debt risk
- Export factoring
- Documentary credit
- Countertrade
- Export credit insurance





Managing accounts payables

与Receivables 涉及到的交易相反，涉及方面有：

- 1) Attempting to obtain satisfactory credit from suppliers
- 2) Attempting to extend credit during periods of cash shortage, without damaging a good business relationship with the supplier
- 3) Maintaining good relations with regular and important suppliers





Managing accounts payables

- The cost of lost early payment discounts:

$$\left\{ \left[\left(\frac{100}{100-d} \right)^{\frac{365}{t}} \right] - 1 \right\} \%$$

t: the reduction in the payment period in days which would be necessary to obtain the early payment discount, final date to obtain discount – final date for payment

d: is the % discount

- Managing foreign accounts payable——part G risk management





Thank You!

