

Credit in the Company (continued)

- ↑ The Credit/Purchasing Relationship
- ↑ The Credit/Manufacturing Relationship
- ↑ The Credit/Information Systems Relationship
- ↑ Credit Department Relationships with Other Departments
- ↑ Organizing the Credit Department
- ↑ Day-To-Day Administration
- ↑ Lockbox Operations
- ↑ Collecting Accounts Receivable
- ↑ Control and Follow-Up

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Credit as a Business Function

- ↑ Business
- ↑ Business organization
- ↑ Strategy
- ↑ Strategic planning

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The Strategic Role of Credit

- ↑ Amassing Information
- ↑ Credit Analysis
- ↑ Collection
- ↑ Cash Application
- ↑ Deduction Resolution

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Credit Within the Business Organization

- ↑ Management of Accounts Receivable
- ↑ Net Working Capital
- ↑ Finance Related Functions

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The Role of Credit in Financial Management

- ↑ Financial Management:
 - > Obtain cash from investors
 - > Use that cash to buy productive assets
 - > Operate those assets to produce additional cash
 - > Return cash to the business and/or investors

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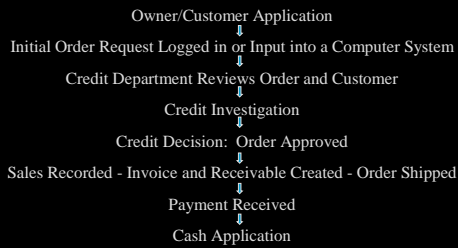
Cash Management

- ↑ Managing Cash Inflows
- ↑ Internal Cash Flow Management
- ↑ Managing Cash Outflows

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Credit and the Operating Cycle

Collection System



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The Core Activities of the Credit Department

- ↑ Customer and credit analysis
- ↑ Developing credit policy
- ↑ Managing the collection function
- ↑ Setting credit availability thresholds
- ↑ Management reporting

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The Credit Department's Goals

It is the responsibility of the manager of the credit department to plan and direct the activities of the credit function within the guidelines of company policy.

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The Credit Department's Multi-Functional Role

Most credit departments confer with many departments during the credit process.

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The Credit/Sales Relationship

Establishing a viable credit-sales relationship is one of the most important tasks of the credit manager.

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The Credit/Purchasing Relationship

Besides inquiring into the backgrounds of potential suppliers, the credit department can also analyze a supplier's financial condition.

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The Credit/Manufacturing Relationship

Just as with marketing risk sales, production risk sales should be followed closely by the credit department to minimize collection costs and bad debts.

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The Credit/Information Systems Relationship

With a new business or technology process, the first goal of the credit department should be to get as involved as possible in the decision making and planning process.

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Credit Department Relationships with Other Departments

- ↑ Accounting
- ↑ Legal
- ↑ Engineering
- ↑ Traffic/Shipping
- ↑ Personnel

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Organizing the Credit Department

- ↑ Two essential functions:
 - > defining responsibility
 - > staffing

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Day-To-Day Administration

The major functions performed daily by the credit department include:

- ↑ The credit approval process
- ↑ The establishment of an account
- ↑ Order processing
- ↑ Accounts receivable administration
- ↑ Collections and adjustments
- ↑ Control and follow-through

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Lockbox Operations

A lockbox is a check collection system operated by a bank.

- ↑ Wholesale lockboxes
- ↑ Retail lockboxes
- ↑ Economic benefits
 - > Mail time
 - > Processing time
 - > Availability time

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Collecting Accounts Receivable

A collection effort is needed when payment is not received for invoices when they are due.

- ↑ Letters
- ↑ Phone calls
- ↑ E-mail
- ↑ Visits
- ↑ Third-party collections

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Control and Follow-Up

The concept of control and follow-up is to identify and remedy reasons for nonpayment.

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Thank you

↑ This Ends the Module
