

# DEBT MANAGEMENT SEMINAR

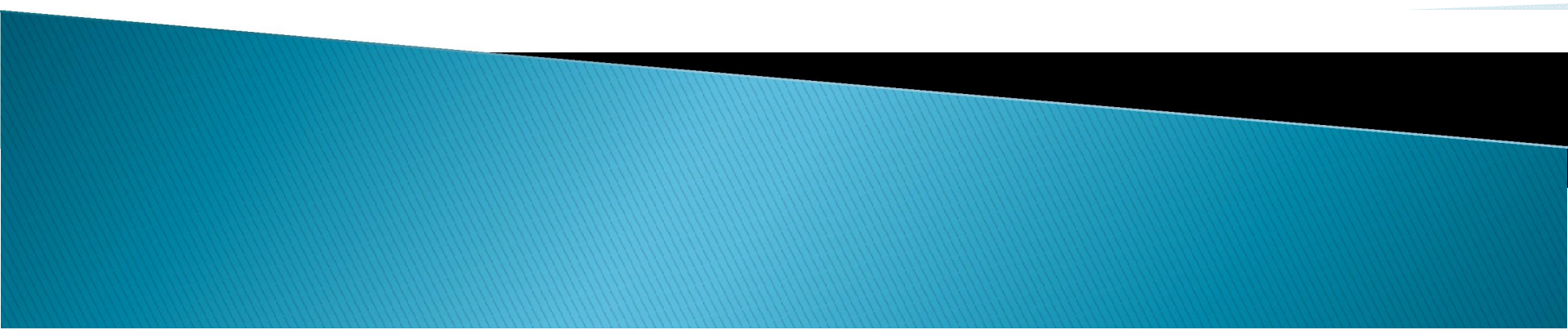
17<sup>TH</sup> – 19<sup>TH</sup> AUGUST 2016  
HELD AT: ACACIA CREST–KISUMU

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# MANAGEMENT OF ACCOUNTS RECEIVABLES

Session One



- ▶ “any fool can lend but it takes a lot more skills to collect”

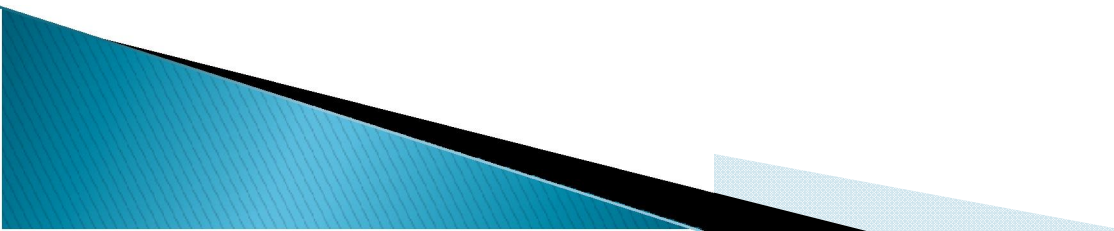
# Benchmarking AR management

- ▶ Do you know who your customers are?
- ▶ Are your customer paying you on time?
- ▶ Why are they not paying you?
- ▶ Do you remind them to pay?
- ▶ Do you have policies in place?

# Introduction

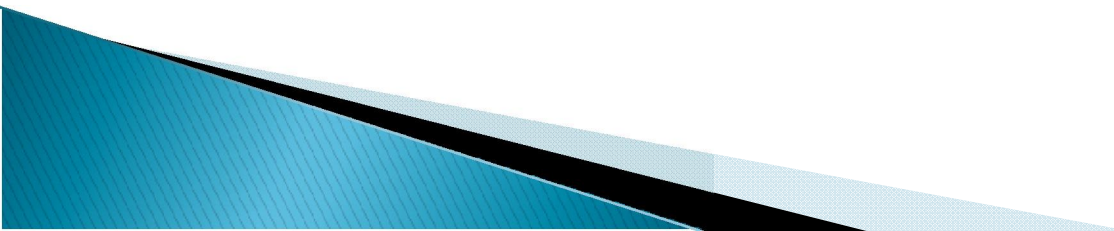
- ▶ The key reason that have forced companies to go out of business is “**they run out of cash**”
- ▶ Cash business is no longer practical in today's competitive environment thus a need to sell on credit terms
- ▶ what makes a difference in your business is how well you are managing your **Accounts Receivables**
- ▶ Proper management of accounts receivable is key in cash flow management

# Introduction

- ▶ Bad debt provision and write-off are considered as a necessary cost of doing business but that should not be the case.
  - ▶ Bad debt and write-offs should be a rare occurrence in your organisation or business.
  - ▶ This cost should be minimised by ensuring that good credit management strategies are in place and are being followed.
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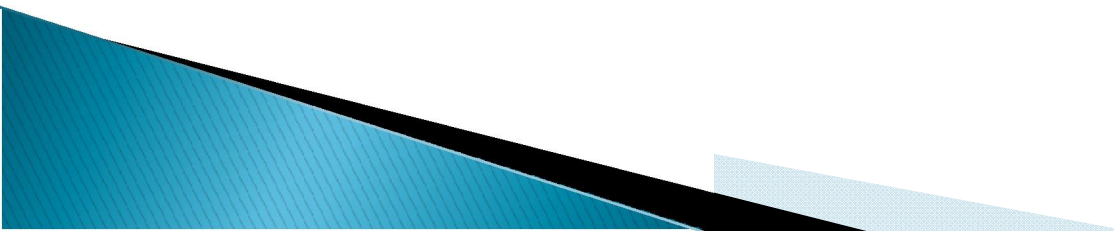
# Essential Accounts Receivable Management Strategies

## Strategy 1: Create a credit policy.

- ▶ A formal credit policy with details in writing showing exactly what your payment policies and expectations are.
  - ▶ Putting a formal credit policy in writing shows customers that you're serious about your business' finances, and it gives you a legal leg to stand on should you ever have to sue a customer for nonpayment.
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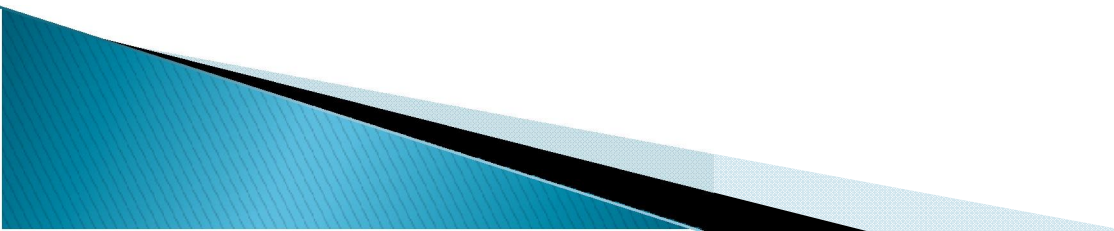


## Strategy 2: Require customers to complete a credit application.

- ▶ The application should ask for key information about the customer's background as well as the business' structure, and at least three trade references you can contact.
  - ▶ Credit is a privilege and not a right and any customer requesting for credit must fill the credit application form
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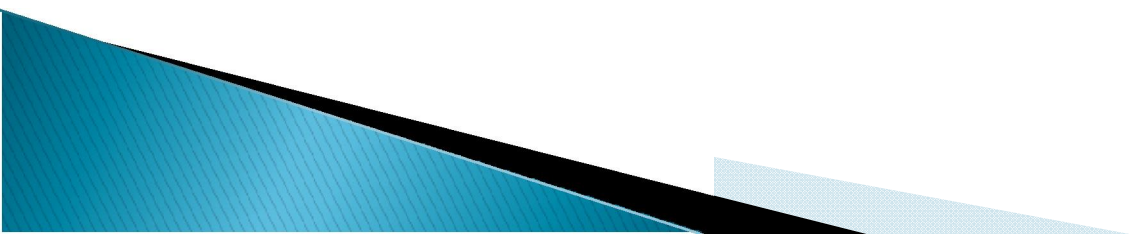


## Strategy 3: Check the customer's trade references.

- ▶ Asking customers to list trade references does little good if you don't follow through and call them.
  - ▶ Ask them about the customer's payment practices: Did they pay the full amounts due on time, every time? If not, try to determine if there were any circumstances you should consider in your credit evaluation.
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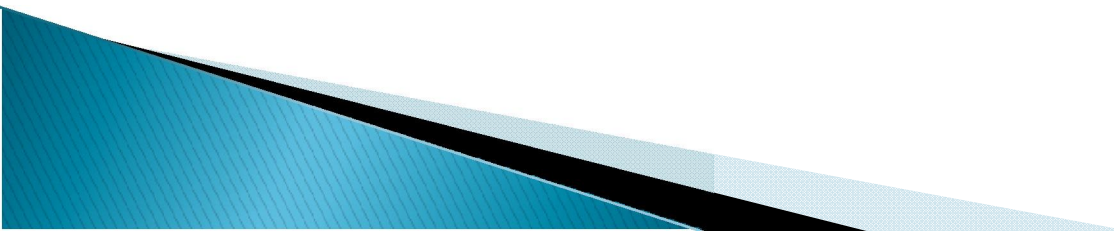
## Strategy 4 :Run a credit check.

- ▶ This can be done for a small fee by credit reference bureau .It will tell you if there are any outstanding judgments against the customer and/or if the customer has a record of slow payment with anyone else.



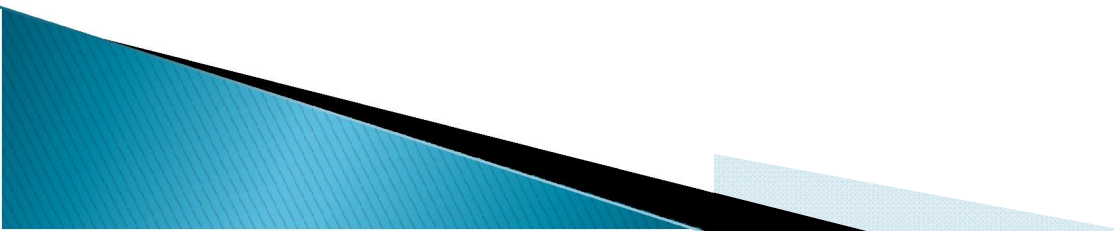
# Strategy 5 :Request a personal guarantee from the business owner.

- ▶ If the customer's company possesses minimal assets and/or assets that are hard to convert into cash, you can ask the owner to personally guarantee the credit
- Always file lien for Security

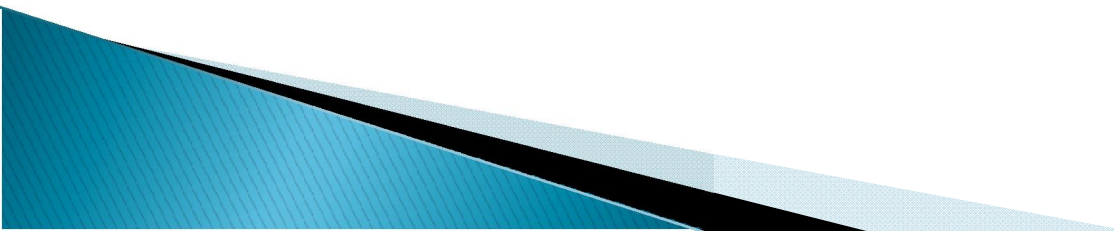


# Strategy 6: Take a security interest in your products. (client lien on your goods)

- ▶ This will allow you to repossess the products you sold should the customer refuse to pay you according to the agreed-upon terms, rather than simply taking your place in line with other unsecured creditors



# Strategy 7: Set credit limits and payment terms.

- Based on all of the above, set a financial limit for each customer you deem to be creditworthy and decide how many days after delivery of your products full payment will be due to you.
  - Ensure that customers know their terms and are paying promptly
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# Strategy 7 cont.:

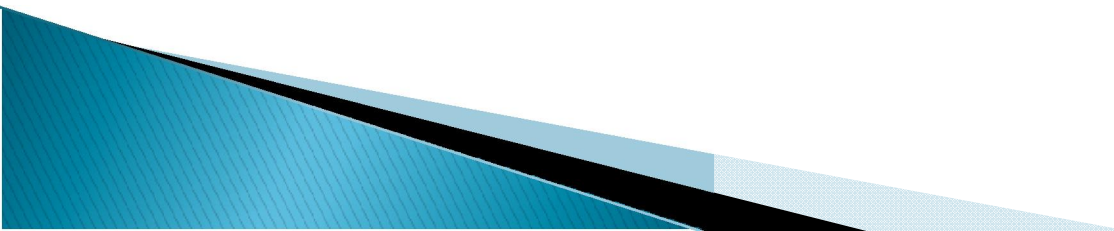
- ▶ Customers should be told in advance about their terms of trade. Failure to do so leaves room for customer customers to say they didn't know stretching the payment past the due dates
- ▶ Payment terms should be communicated during the recruitment and when they place orders

# Strategy 8: Timely and accurate invoicing

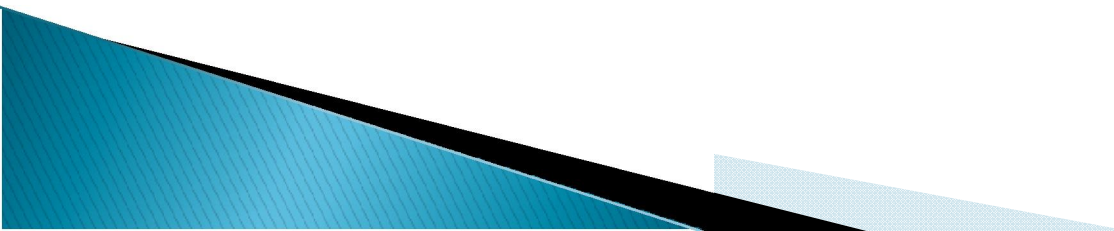
- ▶ If your customers have not received the payment, don't expect to be paid.
- ▶ Send invoices same day when the product or service has been offered.
- ▶ Avoid a reputation of issuing wrongly prepared invoices. This is a sure way of being the last to be paid by your customers.



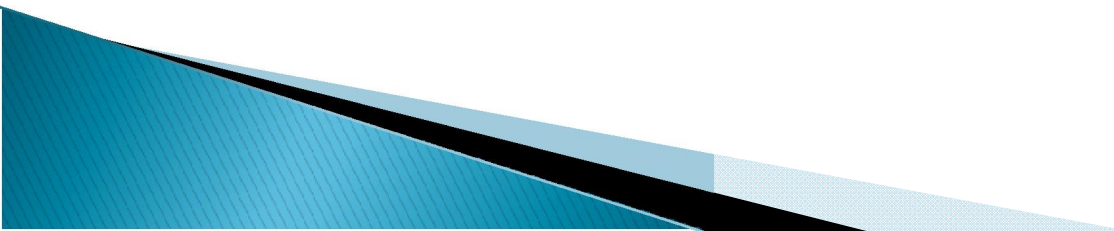
# Strategy 9: Monitor your accounts closely

- ▶ Be on top of the dates to ensure customers are paying on time.
  - ▶ Be on the look out if your customers are in an industry experiencing economic stress due to domino effect that may adversely affect your business
  - ▶ Make follow-up quickly and assertively to customers that have passed due date.
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# Strategy 10: Regularly review your customers payment History

- ▶ Financial status change from time to time. Regularly review how the customers are paying.
  - ▶ Before a customer gets into receivership or liquidity crisis , signs are already clear.
  - ▶ Take action before the doors are closed.
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# Strategy 11: Take further action Promptly

- ▶ If delay in receiving payment persist and the client is not showing any commitment . If guaranteed, recall the guarantee, write to the guarantor and send the demand letters.
  - ▶ The policy should state the steps to take when an account goes due by 30,60,90days or more. Set up a system and stick to it.
  - ▶ If no response, engage third party or take a legal action against the debtor.
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# Conclusion

- ▶ Don't shy off from asking for your money
- ▶ Solve disputes immediately
- ▶ Involve your sales team in collection process
- ▶ Send customer statements frequently
- ▶ Make immediate contacts with customers when they miss a payment.
- ▶ Review credit terms for habitually late customers
- ▶ Listen to customers.

# Question and answer session





# **CREDIT & DEBT MANAGEMENT SERVICES LTD**

## **Our Services in Credit Management**

- Training Consultancy
- Debt Collection
- Hr Outsourcing & Recruitment S
- Credit Reference Bureau Agency

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