Receivables Management

Management of accounts receivable refers to the process of making decision relating to the investment of funds in this asset which will result in maximizing the overall return of the investment of the firm.

Objectives

1. To increase volume of sales
2. To facilitate liberal credit transactions
3. To settle trade debts without loss
4. To achieve the target return on investment
5. To create a written proof about debt obligations
6. To achieve the objectives or goals of organization
7. To maintain adequate liquid capital of a firm
8. To minimize the cost and risk involved in trade credit, planning and control.
9. To create additional source of finance through accounts receivable.
10. To measure the effective handling of accounting receivables.

Factors considering for Receivables management

1. Quantum of credit sales
2. Credit policies
3. Terms of trade

Policies for Managing Receivables

1. Credit standards
2. Credit terms
3. Collection procedures

1. Credit Standards

It represents the basic criteria for extension of credit to customers. The firm's credit standards are generally determined by the five "Cs"

1. Character : integrity of the customer
2. Capacity : Ability to manage the business

3. Capital : Financial Soundness
4. Collateral : The assets which the customer can offer by way of security.
5. Conditions: Customer’s ability to meet his obligations.

2. Credit Terms

1. Credit Period
2. Cash discount