

ACCOUNTS RECEIVABLE MANAGEMENT

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ABSTRACT

Account receivable management involves the systematic process of monitoring, tracking, and optimizing a company's outstanding invoices and payments owed by customers. It encompasses strategies to ensure timely collection of funds, reduce the risk of bad debts, and maintain healthy cash flow. Effective account receivable management often involves credit policies, invoicing procedures, communication with clients, and the use of technology to streamline processes. Its primary goal is to strike a balance between maintaining positive customer relationships while ensuring the financial stability of the business.

Account receivable management plays a vital role in maintaining the financial stability of a business. This abstract provides an overview of the strategies and practices involved in managing accounts receivable effectively. It highlights the importance of credit policies, accurate invoicing, timely collections, and communication with customers. By optimizing account receivable management, businesses can enhance cash flow, minimize late payments, and reduce the risk of bad debts. This abstract emphasizes the significance of a well-organized account receivable system in achieving sustainable growth and financial success.

INTRODUCTION

Account receivables is refer to the outstanding invoices or money which is yet to be paid by your customers. Until it is paid, the invoices or money is accounted as accounts receivables. Also known as bills receivables. You need cash all the time to possess your business running smoothly and ensuring the accounts receivables has to be paid on time is essential to manage the cash flow efficiently. Receivable management, as implied by the term, refers to the handling of your accounts receivable. Fundamentally, the complete procedure involves establishing the credit

policy, determining the terms of payment, dispatching the payments, pursuing them through follow-ups, and ensuring the punctual retrieval of outstanding payments. This compilation of tasks can be characterized as the management of receivables.

- Payment Collection
- Collection Management
- Accounts Receivables

Accounts receivable management refers to the practices and strategies that businesses employ to effectively handle their outstanding customer payments. It involves the processes of monitoring, collecting, and optimizing the management of receivables, which are the amounts owed to a company by its customers for goods or services provided on credit.

Accounts receivable represent a significant portion of a company's assets, and efficiently managing these receivables is crucial for maintaining healthy cash flow and financial stability. Proper accounts receivable management helps businesses strike a balance between extending credit to customers and ensuring timely collection of payments.

Keywords:

Risk transfer and protection, legal validity and enforceability, insurable interest requirement, indemnification, subrogation, fair premium, clear policy terms.

REVIEW OF LITERATURE

MICHAEL DOTSEY [2008]: Conducted empirical setting on "on investigation of cash management practices and Assess the impact of these factors on the money demand concerning the Federal Reserve Bank of Richmond. That underlying most conventional studies of money. The study seems to be captured quite well by the variable electronic fund transfer. The other proxies perform reasonably well in reducing the forecasting errors of demand deposit relationship

According to ROBERT N ANHON:

"Accounts receivable encompass funds owed to the business entity, often by its clientele. Occasionally, this is segmented into trade accounts receivable; the latter denoting sums possessed by employees and other entities."

BARLE and MEANS [1932]: Accounts receivable management decision. Therefore, the theory will help in trying to investigate if firms that present monitoring mechanisms of manager's actions have lower level of accounts receivable organization needs.

WEINRAUB and VISSCHER [1998]: In many organization today, liquidity position is thus a major issues that must be put into consideration by financial managers. This liquidity state can be recognized by their risk-return characteristics.

STATEMENT OF THE PROBLEM

Efficient management of accounts receivable revolves around ensuring timely payment from customers. Effective receivable management prevents overdue payments and instances of nonpayment. Consequently, it becomes a swift and efficient strategy to enhance the company's financial liquidity. This underscores the significance of receivable management, detailing its advantages and outlining the establishment of a robust receivable process. Accounts receivable are asset entries signifying the unsettled sums owed to the concern payable to the vending of commodities or services within regular business operations. Consequently receivable are an advantage and speak to cases of the structures against its clients. Records receivable is the cash owed to an organization because of having sold its items to clients using a loan. The crucial factors influencing a company's interest in its sales records are its business operations, the overall level of sales, the company's credit policies, and its collection strategies. The real choice records receivable is the assurance of the records and terms of credit to stretch out to clients. The aggregate sum of records receivable extraordinary at any given time is controlled by two factors: the volume of credit deals and the normal period of time amongst deals and accumulations. The credit terms offered have an immediate bearing on the related expenses and income to be produced from receivables.

In the occurrence that credit terms are tight, there will be less of an interest in money due and less awful obligations misfortunes, yet there will likewise be bring down deals and diminished benefits.

OBJECTIVES OF THE STUDY

The objectives of accounts receivable management typically include optimizing cash flow and reducing bad debts, improving customer relationships and ensuring timely collection of outstanding payments, It aims to strike a balance between maximizing sales and maintaining a healthy financial position for the company, achieve the target return on the investment

- To Know how the debtors are converted in to cash
- As part of the investigation the analysis will focus on the company's current asset levels
- To settle trade debts without loss and mitigating the possibility of incurring bad dabt.

RESEARCH METHODOLOGY

Primary data: it is collected for the study is through direct interaction with finance, HR AND personal managers & clients of the company.

Secondary data: it is collected for the study is through financial statements, annual reports from company websites, and other finance websites and reference books, journals, finance magazines etc.

LIMITATIONS

- Some of financial information are confidential & not provided by the company
- all the aspects of accounts and finance are secret they don't disclosed to outsiders
- the time for the learning is min limitation; it is not probable to conduct depth study in the duration
- The study is based solely on the data provided by the company and does not encompass any market survey

DATA ANALYSIS AND INTERPRETATIO

The aim of data analysis is to methodically organize, structure, and derive meaningful insights from collected data. In qualitative research, data scrutiny and clarification encompass the combination of the collected data, and through this process, newly formed insights are applied to address client-specific issues. The data often takes the from records of group discussions and interviews. The researchers diligently seek out discernible patterns and insightful observations that hold pertinence to the fundamental research concerns. Data analysis involves a comprehensive process of examining, identifying, refining, transforming, and shaping data to unveil valuable insights, draw actionable conclusions, and facilitate informed decision-making. This multifaceted practice encompasses diverse methods categorized across various domains such as business, scientific research, and social sciences.

DEBTORS TURNOVER RATIO

The Debtors Turnover Ratio for the company displayed a value of 2.52 during the fiscal year 2018-19. This ratio showcased an escalation in the subsequent year, attaining a value of 2.83 in 2019-20. Nevertheless, The ratio experienced a decrease during the financial year 2020-21, and this declining pattern persisted into the subsequent year, 2021-22.

$$\text{Debtors turnover ratio} = \frac{\text{Net sales}}{\text{Average debtors}}$$

TABLE 1 SHOWING DEBTOR'S TURNOVER RATIO:

Rs in lakhs

Years	Net sales	Average debtors	Debtor's turnover ratio [in items]
2018-19	14,431.91	5,724.49	2.52
2019-20	17,464.58	6,159.62	2.83
2020-21	19,031.66	6,993.66	2.72
2021-22	19,940.73	7,370.42	2.71

ANALYSIS OF SALES:

The Debtors Turnover Ratio for the company displayed a value of 2.52 during the fiscal year 2018-19. This ratio showcased an escalation in the subsequent year, attaining a value of 2.83 in 2019-20. Nevertheless, The ratio experienced a decrease during the financial year 2020-21, and this declining pattern persisted into the subsequent year, 2021-22.

CURRENT RATIO

Referred to as the Current Ratio, the working capital ratio is employed to establish the relationship between a company's existing liabilities and its current assets. In general, companies work towards sustaining a Current Ratio of 2:1, which implies that current assets should ideally be twice the value of current liabilities. This strategic approach helps in upholding a strong financial position and ensuring liquidity.

Current assets

Current ratio =

Current liabilities

TABLE 2 SHOWING CURRENT RATIO

Rs in lakhs

Year	Current assets	Current liabilities	Current ratio
2018-19	10,973.31	6,136.64	1.78
2019-20	11,165.74	6,790.33	1.64
2020-21	14,658.63	9,054.59	1.61
2021-22	15,141.60	14,044.01	1.07

[Sources : Annual report]

ANALYSIS

The current assets shows as in year 2018-19 is Rs 10,973.31, and then 2019-20 is increasing in Rs 11,165.74, year 2020-21 is high increasing in current assets Rs 14,658.63 and last year 2021-22 is also increasing in Rs 15,141.60 is compared to previous year. The data indicates an upward trajectory in current liabilities, barring the year 2020-21. A trend analysis reveals a consistent decrease in current liabilities annually, with an exception of a rise in 2020-21 associated to the previous year. The current ratios for the years 2018-19, 2019-20, 2020-21, and 2021-22 are 1.78, 1.64, 1.61, and 1.7 respectively. These figures depict an annual decline in current ratios.

CURRENT ASSETS TO FIXED ASSETS RATIO

This proportion is an analytical tool used to assess operational efficiency. It involves dividing net sales by fixed assets. This particular ratio highlights the firm's capacity to generate net sales utilizing its fixed assets

Current assets

Current assets to fixed assets ratio = -----

Fixed assets

TABLE 3 SHOWING THE CURRENT ASSETS TO FIXED ASSETS RATIO

Rs in lakhs

Year	Current assets	Fixed assets	Current to assets fixed assets ratio
2018-19	10,973.31	3,184.48	3.44
2019-20	11,165.74	3,411.51	3.27
2020-21	14,658.63	4,012.03	3.65
2021-22	15,141.60	6,127.36	2.47

[Source : Annual report]

ANALYSIS

The current assets shows as in year 2018-19 is Rs 10,973.31, and then 2019-20 is increasing in Rs 11,165.74, year 2020-21 is high increasing in current assets Rs 14,658.63 and last year 2021-22 is also increasing in Rs 15,141.60 is compared to previous year. Fixed assets: The valuation of fixed assets has demonstrated an uninterrupted annual escalation, reaching Rs 6,127.36 in 2018-19 and Rs 3,184.48 in 2021-22. The ratios of recent assets to fixed assets for the respective years are 3.44, 3.27, 3.65, and 2.47.

STOCK TURNOVER RATIO

The inventory turnover ratio reveals the frequency with which a firm's inventory is sold and replenished during a specific timeframe.

$$\text{Stock turnover ratio} = \frac{\text{Sales}}{\text{Average stock}}$$

TABLE 6 SHOWING THE STOCK TURNOVER RATIO

Rs in lakhs

Year	Sales	Average stock	Ratio of inventory turnover
2018-19	19,910.62	1,506.61	13.21
2019-20	23,478.95	1,619.21	14.50
2020-21	36,823.88	2,113.51	17.42
2021-22	40,564.15	2,045.00	19.83

[Sources: Annual report]

ANALYSIS

By referring to the provided table, we can assess the company's sales data. The sales facts have exhibited a consistent increase, with sales amounting to Rs 19,910.62 in the year 2018-19 and Rs 23,478.95 in 2019-20. This trend of growth continues, as indicated by the subsequent years. Specifically, in the years 2020-21 and 2021-22, there was a substantial sales surge, reaching Rs 36,823.88 and Rs 40,564.15, respectively, associated to the previous years.

From the fiscal year 2018-19 to 2021-22, there has been a steady rise in the mean inventory, showcasing consistent growth, with figures of 1,506.61, 1,619.21, 2,113.51, and 2,045.00 in respective order.

Furthermore, the ratio of inventory turnover has displayed an annual escalation, documenting values of 13.21, 14.50, 17.42, and 19.83 during the corresponding years.

FINDINGS

- The DTR of the corporation was good from 2018 to 2022
- The CA to FA ratio was not up to the mark except in 2019.
- The commercial's Current Ratio (CR) adheres to the acceptable benchmark of 2:1. Although the Stock Turnover Ratio (STR) was initially low, it is currently on an upward trajectory.

CONCLUSION

In conclusion, effective accounts receivable management plays a pivotal role in maintaining the financial health and stability of a business. By carefully overseeing outstanding customer payments, a company can ensure a consistent cash flow, minimize the risk of bad debts, and foster positive customer relationships. Through well-defined credit policies, accurate invoicing, timely communication, and strategic collection efforts, businesses can strike a balance between extending credit to customers and safeguarding their own financial interests. A robust accounts receivable management system allows a business to optimize its working capital, make informed financial decisions, and allocate resources more efficiently. It contributes to improved cash flow forecasting, enhances the accuracy of financial projections, and supports overall business growth. Moreover, effective accounts receivable management strengthens the reputation of a business by demonstrating professionalism and commitment to honoring financial agreements. By maintaining positive interactions with customers throughout the payment process, businesses can nurture loyalty and secure repeat business. In a competitive business environment, where cash flow is crucial for day-to-day operations and expansion, neglecting accounts receivable management can lead to significant financial challenges. On the other hand, businesses that prioritize and implement strong accounts receivable practices are better positioned to weather economic uncertainties, seize growth opportunities, and achieve long-term financial success.

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