

**SOS POLITICAL SCIENCE AND  
PUBLIC ADMINISTRATION**

**MBA FA 406(A)**

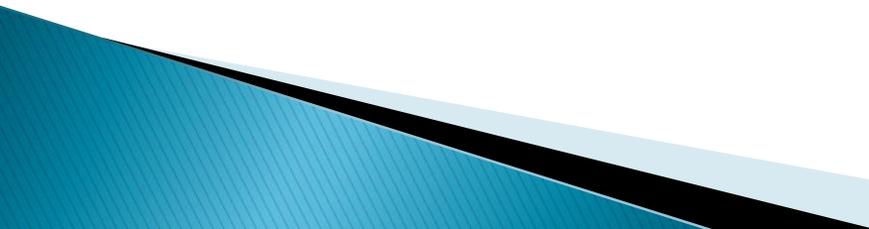
**SUBJECT NAME:**

**INTERNATIONAL FINANCIAL  
MANAGEMENT**

**TOPIC NAME: INTERNATIONAL  
RECEIVABLES**

# MEANING OF INTERNATIONAL RECEIVABLES:

- ▶ International Receivable means a Receivable the Obligor of which has a billing address in an Approved Country other than the United States or Canada.
- ▶ International Receivable means a right of any Seller to payment, whether constituting an account, chattel paper, instrument, general intangible or otherwise, arising from the sale of goods, services or future services by such Seller (and including the right to payment of any interest or finance charges and other obligations with respect thereto) owing from an entity (i) with its chief executive office outside of the United States and Canada, (ii) that transacts a substantial portion of its business and maintains a substantial portion of its fixed assets outside the United States and Canada and (iii) which is not engaged primarily in financing the operations of businesses within the United States and Canada.

- ▶ International Receivable means an account which arises out of a transaction between the Borrower or Erudite and an Account Debtor who meets at least one of the following criteria:
    - (A) The Account Debtor is a non-United States (i) government, (ii) government-controlled business or (iii) governmental agency
    - (B) The Account Debtor is not subject to the jurisdictions of the court systems of the United States and any state of the United States and/or
    - (C) The Account Debtor does not maintain in the United States an office to which such account is invoiced and tangible assets with a book value equal to at least five (5) times the aggregate accounts owed by such Account Debtor.
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## **Receivables management involves converting receivables to cash and facilitating :**

- ▶ Cash flow forecasting
  - ▶ Long-term funding and investment decisions
  - ▶ Reduced risk of bad debts
  - ▶ Stronger liquidity
  - ▶ Stronger balance sheet ratios
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# RECEIVABLES MANAGEMENT:

- ▶ Receivables management is defined as” the process of decisions relating to investment in the trade debtors”.
  - ▶ Investment in receivables is necessary to boost up the sales and profits, but it involves certain cost consideration such as bad debts etc.
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# OBJECTIVES OF RECEIVABLES MANAGEMENT:

- ▶ Maximize the return on investment in receivables.
  - ▶ Maximize the sales to the extent the risk involved remains within the acceptable limit.
  - ▶ Maintaining up-to-date record.
  - ▶ Accurate billing.
  - ▶ Establish the credit policies.
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# IMPORTANCE OF RECEIVABLES MANAGEMENT:

- ▶ Credit policy helps to meet the competition.
  - ▶ Credit sales help to attract not only existing customers but also the new customers but also the new customers.
  - ▶ It helps to minimize bad debts.
  - ▶ Helps to increase the operating profits because of more credit sales.
  - ▶ It ensures higher investment in trade debtors, which will produce larger sales.
  - ▶ It gives guidance to the management for effective financial planning and control.
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# ADVANTAGES:

- ▶ Liberalized credit policy helps to increase the sales.
  - ▶ Credit policy helps to meet competition.
  - ▶ It increases operating profits.
  - ▶ It minimizes bad debts without taking stringent measures.
  - ▶ It facilitates adequate working capital.
  - ▶ Credit sales helps to attract customers.
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# COST OF MAINTAINING RECEIVABLES:

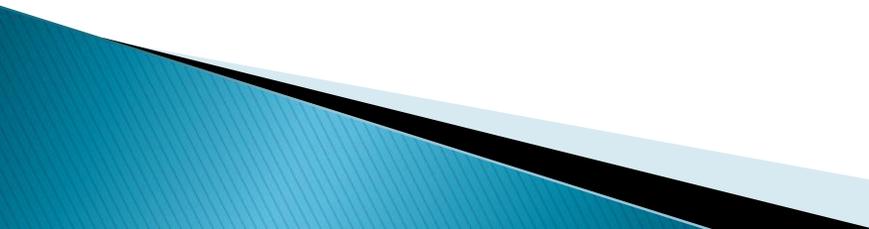
Cost of collections:

- ▶ Sending reminders for the customers who don't make payment during a stipulated credit period. Sometimes, persons may have to be sent for collecting these amounts.

Bad debts:

- ▶ The amount which the customers fail to pay are known as bad debts. Though a concern may be able to reduced bad debts through efficient collection machinery but one cannot altogether rule out this cost.

Capital costs:

- ▶ Cost of arranging additional funds to support credit sales.
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# INTERNATIONAL SOURCES OF FUNDS:

- ▶ ECBs
  - ▶ FCCBs
  - ▶ ADRs
  - ▶ GDRs
  - ▶ FDI
  - ▶ Syndicate loans
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# **DIMENSIONS OF RECEIVABLES MANAGEMENT:**

## **Forming of credit policy**

- ▶ Credit standards
- ▶ Length of credit period
- ▶ Cash discount
- ▶ Discount period

## **Executing credit policy**

- ▶ Collecting credit information
- ▶ Credit analysis
- ▶ Credit decision
- ▶ Financing investment in receivables factoring

## **Formulating and executing collection policy**