

Extending Credit – To Or Not To? Evaluating the Financials and Non- Financials of Your Customers



By Peter Fong

Introduction

Selling ... if you have your way, you would most certainly want to do so, on a cash basis. In practice, however, adopting such a policy is very often not possible and, indeed, may not even be desirable.

Extending credit to buyers is part and parcel of doing business. But, there is a cost in extending credit and it also involves taking some measure of risk.

While risk is inherent in all credit transactions, it is not good business practice to reject all risks. The transaction to be avoided is not the one with some element of risk but the one that has an abnormal and dangerous amount of it.

Extending credit, effectively done, can help to enhance and grow your business. On the other hand, hazardously done, it can cause a lot of harm and may even threaten its survival.

Outline

Introduction

- The turbulent business environment - the role of credit in business impact on the trade receivables
- Re-look at your credit management process - credit portfolio - managing the credit portfolio - acquiring the credit portfolio - maintaining the credit portfolio
- Some credit principles

Credit functions

- What is involved - the process
- Getting the essential documents for assessment
- Credit checking - credit companies

Credit methodology

- 7 Cs of credit extension
- Credit references - how to assess the customers effectively
- Field visitation – what to look out for – evaluating the non-financials
 - operations
 - marketing
 - management
 - infrastructure
 - the business environment etc
- Financial evaluation - Analyzing customer's financial statements – approaches / tools
- Financial projections – profitability
 - cash flow
 - financial position
- Setting Credit limits

Outsourcing the credit function

- Limitation of credit reports

Risks mitigation

- Risks associated with extending credit
- Ways to mitigate your credit risks
- Effectiveness of Personal Guarantee, Corporate Guarantees, Letter of Comfort, Letter of Set off etc....

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Trainer Profile – Mr. Peter Fong

Peter has wide experience in credit control management. As Credit Manager and Loan Supervision Manager in the financial services industry, he was responsible for the developing strategies, implementing collection systems and plans for the attainment of the overall credit performance of the companies.

Peter is currently very actively involved in assisting SMI operators resolve their credit and financial problems. He also conduct training for SMIs and multinational companies like Intel, Hewlett Packard, Teradyne, Halliburton Asia Energy Sdn Bhd and local financial institutions including quasi-government institutions. Peter is an Associate of the Chartered Institute of Bankers, London and an Associate Member of the Malaysian Institute of Management. He is the approved trainer by the Pembangunan Sumber Manusia Berhad (PSMB)