ST. MARY'S UNIVERSITY
BUSINESS FACULTY
DEPARTMENT OF ACCOUNTING

AN ASSESSMENT OF ACCOUNT RECEIVABLE MANAGEMENT
IN BEREHANENA SELAM PRENTING INTERPRISE
(BSPE)

BY
HIWOT HAILE
SELAMAWIT KFLE

JUNE, 2014
ADDIS ABABA

AN ASSESSEMENT OF ACCOUNT RECEIVABLE MANAGEMENT IN BEREHANENA SELAM PRENTING ENTERPRISE (BSPE)

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FACULTY OF BUSINESS

DEPARTMENT OF ACCOUNTING

APPROVED BY THE COMMITTEE OF EXMINERS

_____	_____
Department Head	**Signature**
_____	_____
Advisor	**Signature**
_____	_____
Internal Examiner	**Signature**
_____	_____
External examiner	**Signature**

ACKNOWLEDGMENT

TABLE OF CONTENTS

CHAPTER TWO

LITERATURE REVIEW

CHAPTER THREE

DATA PRESENTATION, ANALYSIS

AND INTERPRETATION

CHAPTER FOUR

List of tables

CHAPTER ONE

1 INTRODUCTION

1.1. Background of the study

The balance sheet of every business enterprise includes a variety of claims from other parties that generally provide a future inflow of cash. These receivable arise from transactions and events such as a sale of goods or services, loans made, subscriptions obtained from investors for capital stock or bonds, claims for income tax refunds, claims resulting from litigation and amounts due from leasing of asset. Receivable from customers frequently represent a substantial part of a business enterprise current asset. Poor screening of applicants for credit or an efficient controls and effective management of receivables are typical characteristic of most profitable enterprises.

For most receivables the amount of money to be received and the due date can be reasonably determined. Accountants thus are faced with a relatively certain future inflow of cash, and the problem is to determine the net amount of this inflow. (Mosich,1998)

The task of Account Receivable manager should be to manage the receivable effectively and maximize the value of the firm. The Account Receivable manager should consider costs, profit, risk factor and smooth operation of a business as a whole based on Account Receivable theory, procedure and polices of the business.

A number of factors must be considered in the valuation of prospective cash inflow one factor is the probability that a receivable actually will be collected, for any specific receivable, the probability of collection might be difficult to establish; however ,for a large group of receivable a reliable estimate of collectability generally can made. The possible non collectability of receivable is an example of a loss contingency because a future event (inability to collect) confirming the loss is probable and the amount of the loss can be reasonably estimated. If the estimate of possible uncollectable accounts can be made within a range, but no single amount appears to be a better estimate than any other amount within the range, the financial accounting Standards Board recommended that the minimum amount in the range be accrued. Another factor to be considered in the valuation of receivables is the length of time until collection an amount of money due at some future time is not worth as much the same amount due immediately. The longer the

1

time to maturity, the large is the difference between the maturity value and the present value of a receivable. When the time to maturity is long most contracts between debtor and creditors require the payment of a fair rate of interest, and the present value of such contract is equal to its face amount the present value of any non-interest-bearing receivable is less than the amount that will be received on the due date if the time to maturity is short, the difference usually is ignored. (Mosich,1988)

Generally Account Receivable needs much attention by managers at all levels because effective Account Receivable management is crucial to the performance of any organization .this paper tries to investigate how receivable management and control is carried out in berhanena selam printing enterprise.

1.2. Back ground of the organization

On 23 Tahsas 1917 (December 1924) and with the consent of Leul Ras Tafari there began the printing of a weekly magazine bearing the title Berhanena Selam .The new publication appeared every Thursday. The name "Berhanena Selam" was also adopted by the printing press. The paper was printed and distributed freely among readers for nearly a month in order to make it popular. Then it was put on regular weekly sales to both subscribers and the general public alike. The establishment of Berhanena Selam Printing Press (the then name) was among the key factors that made it possible for ancient Ethiopia to take the leap forward into this modern age.When it was first set up, 9 decades ago, the printing press was originally designed to carry on the printing of religious books. These books had to be produced as manuscripts and, this was a laborious task, the people who were engaged in this work were few. At the beginning, Berhanena Selam was mainly engaged in the printing of religious books, produced in both Ge'ez and Amharic versions and which were sold at reasonable low prices, thus minimizing the problems previously encountered, the press also entered into the printings of various forms and records for use by public and private organizations as well as news papers. With further improvements in its organization the printing press succeeded in offering the nation the services expected of it. Starting with humble beginnings using hand operated machines, with very few impressions per hour and a staff of 7-12 persons, the printing press has now grown into a modern complex employing around 810 people operating modern web

offset printing machines one of which can produce 30,000 copies of a 32-page newspaper in an hour.As Ethiopian leading printing company, Berhanena Selam Printing Enterprise (BSPE) has built a reputation of achieving high levels of client satisfaction through exceptional service and high quality printing. Our 120,000 square foot facility, located in the center of Addis , Arat Kilo, is equipped with the most modern printing equipment, which enable us to be our clients' single source for printing production. We place this equipment in the hands of skilled professionals who strive for perfection.

What sets us apart from other printing companies is our ability to integrate century-old values and traditions with continually evolving modern technology and exceptional customer service.

1.3. Statement of the problem

In many reason most firms selling their product on credit bases to maximize profit by using different method and also increasing their sales volume to penetrate the customer mind, local and international market had a great share of market that usually happen on the hand of credit police. If the goods have a large unit value, holding lots of money and when the customer setting their debt then it can lead the company to get bankrupted and Account Receivable system needs crucial care in any business organization.

BSPE is the public printing enterprise playing an important role in the countrys economy. However, BSPE facing the numbers of problems with regard to account receivable management as it have been assessed through preliminary study, some of these are shortage of cash problem,uncollectability of account receivable and ineffiecent performance of account receivable management.

This research aims to assess the major causes of which contribute to the uncollectability of account receivable in BSPE.

1.4. Research question

In considering the above problems the student researcher tried to answer the following questions

1. What method does the enterprise adapted to good control over receivable?

2. How berehanena selam printing enterprise scheduled to collect receivable?

3. What is receivable cycle of organization?

4. How the organizations implemented the receivable police?

5. How can the organization be insured to get receivable in its specified time?

1.5. Objective of the study

1.5.1. General objective

The general objective of this study was to investigate receivable management, control system, procedures and policies of berhanena selam printing enterprise and to identify its strength and weakness.

1.5.2. Specific objective

The specific objectives of the study were;

> ➢ To identify methods the enterprise adoupte to good control over receivable.

> ➢ To identify the enterprise schedule to collect receivable.

> ➢ To knew the receivable cycle of the organization.

> ➢ To investigate how the company implement the receivable policy.

> ➢ To assess how the organization be insured to get receivable in its specified time.

1.6. Significance of the study

This study is important in the following ways;

- It helps the enterprise to take essential action based on the recommendation that is given up on the findings of the research.

- To added knowledge on receivable management and control theories and practices to the reader.

- It gives way for other researches who want to make further investigation in the area and to conduct detailed research on the problem.

- It provides information for the company about factors which may influence the performance of account receivable management.

1.7. Delimitation of the study

This paper deals with credit sales receivables management of berehanena selam printing enterprise.The study causes the activity that have been performed so far by berehanena selam printing enterprise in relation to this system of credit sales and collection.This study manly focus on the management of Account Receivable which has been raised from the credit sales on the current year.

1.8. Research design and methodology

1.8.1. Research design

The study used descriptive research designed,which is designed to obtain information concerning account receivable management activities of berehanna selam printing enterprise and to draw conclusion from the fact discovered.because the descriptive research is description of the state of affairs as it exists at present.

1.8.2. Population and Sample size

For the purpose of identifing the necessary information about account receivable management of the BSPE the finance department total employees are 8.out of this,the

researchers selected all emloyees.The finance department employees were selected based on purposive method who have understanding about the topic under the study

1.8.3. Types and methods of data collected

Tools of observation, questionnaire and interviews are used to collect primary and secondary sources such as company record, internal and external audit report.

1.8.4 Method of data analysis

Data for this study has been systematically analyzed and presented through representative sample survey and a mix of various techniques by using tables ,also numbers and percentage has been used to summarize,describe and presents results of the study.

1.9. Limitation of the study

The student researcher faced problems when doing this senior research paper. Problems like lack of getting detailed information from the enterprise. And also in order to get detail and reliable information by interacting customer, who get the service of credit will make our work to become better. Even if we know that situation are not involve us to do in customer area.

1.10. Organization of the study

The research paper is organized in to four chapters. The first part contains the introduction, the second part consist review of related literature about the general concept of Account Receivable management, the third part consist of data analysis and interpretation of Account Receivable management in the case berhanena selam printing enterprise, the fourth and last part of this research presents summary, conclusion and recommendation.

CHAPTER TWO

LITERATURE REVIEW

2.1. Definition of Account Receivable

Accounts receivable represent the amount due from customers (bad debts) or debtors as a result of selling goods on credit. "The term debtor is defined as debt owed to the firm by customers arising from sale o f goods or services in the ordinary course of business." The three characteristic of receivables are element of risk, economic value and futurity explain the basis and the need for efficient management of receivables. The element of risk should be carefully analyzed. Cash sales are totally riskless but not the credit sales, as the same has yet to be received. To the buyer the economic value in goods and services process immediately at the time of sale, while the seller expect an equivalent value to be received later on. The cash payment for goods and services received by the buyer will be made by him in a future period. The customer from whom receivables or book debts have to be collected in future are called trade debtor and represent the firm's claim on assets(Mosich,1998).

Receivables management, also termed as credit management, deals with the formulation of credit policy, in terms o f liberal or restrictive, concerning credit standard and credit period, the discount offered for early payment and the collection policy and procedures undertaken. It does so in such a way that taken together these policy variables determines an optimal level of investment in receivables where the return on that investment is maximum to the firm. The credit period extended by business firm usually ranges from 15 to 60 days. When goods are sold on credit, finished goods get converted into account receivable (trade debtors) in the books of the seller. In the books of the buyer, the obligation arising from credit purchase is represented as accounts payable (trade creditors). "Accounts receivable is the total of all credit extended by a firm to its customer".(warren)

A firm's investment in account receivable depends upon how much it sells on credit and how long it takes to collect receivable. Accounts receivable (or sundry debtors) constitute the 3rd most important assets category for business firm after plant and equipment and

inventories and also constitute the 2nd most important current asset category for business firm after inventories.

Poor management of accounts receivables are: neglect of various overdue account, sharp rise in the bad debt expense, and the collection of debts expense and taking the discount by customers even though they pay after the discount data and even after the net date. Since accounts receivable represent a sizable investment on the part of most firms in the case of public enterprises in India it forms 16 to 20 per cent of current assets. Efficient management of these accounts can provide considerable saving to the firm. (http://www.Account receivable.com)

2.2. Creation of Account Receivable

Account receivables of a firm are created on both sides of the productive system. On one side of this system the firm may make advance payments to the suppliers of inventories (row materials) to ensure timely supply, particularly when the suppliers hold monopolistic position in the market place, or when materials are in short supply, or simply to develop a captive supply base. A firm may also be motivated to make advance payments for pure short-term financial profitability consideration. Any one or a combination of them will create accounts t supply creditors or hinge parallel to it. (Bhartacharya, 2003)

2.3. Determinants of A/R Management

The management of account receivable can either be organized within the firm or delegated to a specialized financial intermediary.

Account receivables constitute a significant portion of companies' balance sheets, highlighting the importance of the management and financing of this type of asset. The extension of trade credit it requires the assignment of five functional responsibility

(1) Customers credit risks must be assessed.

(2) The decision to grant trade credit must be made (including the establishment of credit terms and limits.)

(3) The trade credit must be collected,

(4) The default risk must be born and

(5) The receivable must be financed until has been paid by the purchaser.

In the following subsection, we review and extend the existing theories regarding the decision to employ a financial intermediary for account receivable management. (Mian, 1992)

Transaction cost; the buyers must value the delivered product or service, and the seller must collect information regarding the credit worthiness of the buyer. A firm that sell its product to a greater number of buyers on credit will collect greater benefits from externalizing its trade credit function because the involvement of more buyers renders it more likely that a factor would already have existing credit information regarding a subset of these buyers. (Smith, 1994)

Economies of scale; large economies of scale are produced by the high fixed costs that are associated with trade credit functions. (Mian ,1992)

Financial needs; for the decision of how to finance account receivable the firm weighs the costs and assesses the availability of different financial instruments. Two variables that model potential cash flow problems of the supplier.

1. Net income

2 .The averages days that a seller requires paying off its debts. (Summers, 2000)

Risk financial health

Financial flexibility; the degree of capacity and speed at which the firm can mobilize its financial resources in order to take reactive, preventive and exploitive actions to maximize the firm value. (Byoun, 2007)

Industry sector; account receivable are only factorable to limited degree because the goods services that have been purchased often have not completely been delivered.

Full service factoring

2.4. Control Over Receivables

As is the case for all assets, the broad principles of internal control can be used to establish procedures to safeguard receivables. These controls would include the separation of the business operations and the accounting for receivables, so that the accounting records can serve as an independent check on operation. Thus the employee who handles the accounting for notes and account receivable should not be involved with credit approvals or collection of receivable. Separation of these functions reduces the possibility of errors and embezzlement. The controls would also include the separation responsibility for related functions, so that the work of one employee can serve as a check on the work of another employee. For example, the handling of the account receivable ledger and the general ledger should be separated, in this way; the work of the account receivable clerk can be checked by comparing the total of the individual account balance in the account receivable subsidiary ledger with the balance of the account receivable controlling account that is maintained by the general ledger clerk.

Adequate control over account receivable begins with the approval of the sale by a responsible company official or the credit department, after the customer's credit rating has been reviewed. Likewise adjustments of account receivable, such as for sales returns and allowance and sales discounts, should be authorized or reviewed by a responsible party, effective collection procedures should also be established to ensure timely collection of account receivable and to minimize losses from uncollectible accounts. The proper use of the controlling account and the account receivable ledger also increases the effectiveness at the control over account receivable. (Warren)

Account receivable is the largest asset on the balance sheet. This is concerned to be expensive asset. Even though, this is short term in nature. This has long term impact on the organizations working capital and financial structure, consequently. The prerequisite for an effective management system becomes imperative. The most important objective of receivables management is to maximize the significance of the endeavor by striking stability between liquidity, risk and profitability. (Smith,1992)

Even though the credit and collection process is aggressive in an organization, some a collected amounts from customers would exist inevitably. The transformation of receivables into cash is daunting and a divisive task. (Mian,1992, 1994)

2.5. Classification of Receivables

Credit may be granted on open account or on the least's of a formal instrument of credit such as a promissory note. A promissory note frequently referred to as a note, is a written promise to pay a sum of money on demand or at definite time, notes are usually used for credit periods of more than sixty day, as in sales of equipment on the installment plan, and for transactions of relatively large dollars amounts. Notes may also be used in settlement of an open account and in borrowing or lending money.

The enterprise owning a note refers to it as a note receivable. If notes and account receivable originated form sales transactions, they are sometimes called trade receivable in the absence of other descriptive words or phrases, accounts and note receivable may be assumed to have originated form sales in the usual course of the business.

Other receivables include interest receivable, loans to officers or employees and loans to affiliated companies. To facilitate their classification and presentation on the balance sheet agencies ledger account should be maintained for each type of receivable with, proper subsidiary ledgers.

All receivables that are expected to be realized in cash within a year are presented in the current assets section of the balance sheet. Those are not currently collectible such as long-term loans should be listed under the caption "investment" below the current asset section. (Warren)

2.6. Credit and Collection Polices

For most companies, account receivable is very important investments often dominating fixed asset investment with the concern for return on assets expressed by many companies in recent years. There has come ever increasing focus on the funds committed to receivables these current assets are manages efficiently influences very strongly the amount of funds invested. We consider first the credit collection polices of the firm as whole and then discuss procedure for the individual account.

Economic conditions & firms credit policies are the chief influences on the level of a firm's account receivables. Economic conditions, Of course, are largely beyond the control of the financial manager.

We must emphasize that the credit and collection polices of one firm are not independent of those of other firms. If product and capital market are reasonably competitive, the credit and collection practice of one company will be influence by what other firms are doing. The point is that credit and collection policies are interrelated with the pricing of a product or service and must be viewed as part of the overall competitive process.

Credit standard

Credit policy can have a significant influence on sales. In theory, the firm should lower its quality standard for accounts accepted as long as the profitability of sales generated exceeds the added costs of the receivables. There is an opportunity cost of additional receivables, resulting from increased sales and a slower average collection period. If new customers are attracted by the relaxed credit standards, collecting form these customers is likely to be slower than collecting form the existing customer, in addition, a more liberal extension of credit may cause certain existing customers to be less conscientious in paying their bills on time. To assess the profitability of a more liberal extension of credit, we must know the profitability additional sales, the added demand for products arising from the relaxed credit standards, the increased slowness of the average collection period, and the required return on investment.

Credit terms

Credit terms involve both the length of credit period and the discount given.

Credit period

The term "2/10, net 30" means that a 2 percent discount is given if the bill is paid before the tenth day after the date of invoice, payment is due by the thirtieth day. The credit period, then, is 30 days. Although the customs of the industry frequently dictate the term given, the credit period is another means by which a firm may be able to affect product demand, hopping to increase demand by extending the credit period.

Discount given

Varying the discount given involves an attempt to speed up the payment of receivables. To be sure, the discount also may have an effect on demand and bad – debt losses. We assume that the discount is not regarded as a means of cutting price and there by affecting demand, and that the discount offered does not affect the amount of bad - debt losses. Holding constant these factors, we must determine whether a speed up in collections would more than offset cost of an increase in the discount. If it would, the present discount policy should be changed.

Credit policy

The firm determines its overall collection policy by the combination of collection procedures it undertakes. These procedures include telephoning the as customer, sending a letter, resending the invoice, sometimes paying a person visit and legal action. After the point in time, often 90 days past due, many companies turn the account over to allocation agency. Here fees run up to 50 percent of the amount collected, in collections, one of the principal policy variable is the amount expended, the lower the proportion of bad-debts losses and the shorter the average collection period, all other things are the same. (James, 1998)

2.7. Establish Payment Method

How will people pay you? Thos depends primarily on the type of business and whether your customers are individuals or companies or both. There are some established ways to take in money from customers of all type;

-Cash payments, primarily from individuals in retail business customers.

-Check, from individuals in a retail environment and business customers.

-Credit and debit card payments from individuals and business.

-Online payment methods, from individuals and companies.

-Credit or payment plans, from both individuals and business customers.

-Other external payment sources, such as insurance companies, in certain types of companies. (/free-accounting-essay/ management- of account receivable)

2.8. Uncollectible Receivable

When merchandise or services are sold without the immediate receipt of cash, a part of the claims against customers usually proves to be uncollectible. This situation is common, regardless of the care used in granting credit and the effectiveness of the collection procedures used. The operating expense incurred because of the failure to collect receivables is called expense orals from uncollectable accounts, doubtful accounts, or bad debts. There is no single general rule for determining when an account or a note becomes uncollectable. The fact that a debtor fails to pay an account according to a sale contract or dishonors a note on the due date does not necessary mean that the account will be uncollectible. Bankruptcy of the debtor is one of the most significant indications of partial or complete worthlessness of a receivable. Other evidence includes closing of the debtor's business, disappearance of the debtor failure of repeated attempts to collect, & the barring of collection by the statute of limitations. (Warren)

2.9. Collection and Monitoring

Collection and mentoring department is the place where experience of the firm in handling receivables are pooled which, when properly organized, provide important inputs for periodical review of the credit policy. (Bhartacharya, 2003)

2.10. Monitoring and Control

Several methods of monitoring and control of aggregate accounts receivable have been involved over a period of time. Some methods have limited applicability while some others have inherent difficulties. When sales of an enterprise are more or less uniform every month, therefore that an enterprise, while choosing a particular method, must see the control mechanism itself is not faulty, which may give wrong signals to the credit department. (Bhartacharya, 2003)

2.11. Forecasting of Account Receivable

Forecasting of receivable holding is very important for funds planning. As receivables claim a major part of working capital, the forecasting becomes important not only for the internal management of funds and for setting up budgetary standards bus also for obtaining working capital finance from commercial banks. (IBID)

2.12. Bad-Debts

One of the most important tasks of collection & monitoring is to minimize bad-debt losses, companies are found to go bankrupt because of bad-debts. When sales cannot be collected, it is not only that the profit remains unreleased but the entire fund invested in the sales is also lost. This phenomenon affects not only the present operation of the business, but also its future operations. Sales made in one year may become bad-debt in the following year, but the profit on such sales might have been booked in the current year on accrual bases, and taxes and dividends were already paid on it. Next year the effect on the enterprise is an erosion of capital. (IBID)

2.13. Receivables from Sale of Goods and Services

The most common receivables result from revenue - producing activities such as the sale of goods & services. Some receivables from customers are represented by various commercial credit instruments such as promissory notes. Such instruments have a stronger legal status than ordinary trade accounts, and because the terms are specified in writing, the holder finds it easier to borrow against them. (Mosich,1998)

2.14. Receivable from Miscellaneous Sources

Some receivables result from transaction not directly related to the sale of goods and services. For example, short term advances to affiliated companies. Sub contractors, or customers are made in anticipation of future benefits. A claim against an insurance company and a claim based on a legal suit for damages are other examples of miscellaneous receivables .(IBID)

2.15. Write off and Subsequent Collection of Receivables

When the decision is made to write-off receivables, the debit to the allowance for doubtful accounts and the credit to the trade account receivable ledger accounts have no effect on either the carrying amount of account receivable or the net income of the accounting period in which the write-off occurs. If a receivable that has been written-off is collected later, trade accounts receivable is debits and the allowance for doubtful

account is credited. This reverses the write-off, the collection then is recorded in the usual manner. This method has the advantage of providing in the customer's subsidiary ledger account a complete record of credit experience with that customer. (Mosich,1998)

2.16. Installment Account Receivable

Many individuals and business enterprises find it convenient to buy certain items on the installment plan. The installment contract, in essence a promissory note providing for payment over an extended period of time is widely used at the retail level, Most enterprises that sell goods on the installment plan have adequate financial resource to carry their own installment account receivable. Some enterprises, however - sell or assign their installment account receivable to finance companies.

Installment account receivable from the sale of goods or services in the ordinary, course of business, including those due more than one year from the balance sheet date, are included in current assets net of any unearned interest and finance charges. This classification is appropriate because installment receivables arise in the operating cycle from revenue generating activities. (IBID)

2.17. Use of Receivables as a Source of Cash

Business enterprises generally raise the cash needed for current operations though the collection of trade account receivable it is possible to accelerate this process by

1. pledging receivables as collateral for loans
2. selling receivables, or
3. assigning receivables

In some industries, this may be done only in times of absolute necessity, enterprises engaged in the buying of receivables are known as factors, and the process of selling receivables is called factoring. Factors generally buy receivables out right, which is without resource. Alternatively, factors or other lending institutions may buy receivables with resource, or may lend money to the owner of the receivables under a legal arrangement known as an assignment. In such cases customers generally are instructed to make payments directly to the factors or other lenders. Factoring is an important source

16

of ready cash in industries such as textiles, apparel, furniture, and customer electronics a pledge of account receivable as collateral for a loan involves no special accounting problems. Accounting for the sale and the assignment of account receivable is described in the following sections. (Mosich,1998)

2.18. Sale of Receivables Without Recourse

The purpose of selling receivables without recourse is to shift to the purchaser of the receivables the risk of credit losses. The effort of collection, and the waiting period that result from the granting of credit "The without recourse" applies only to the inability of customers to pay, not to disputes as to quality or price of the merchandise. The acceptance of credit cards by retail merchants is a familiar form of sale (factoring) of receivables without resources. (IBID)

2.19. Sale of Receivables With Recourse

When receivables are sold with resources the seller (transferor) in effect guarantees the receivables; the purchaser (transferee) is reimbursed for failure of debtors to pay the full amounts anticipated at the time of sale.

A sale of receivables with recourse frequently has the characteristic of a borrowing contract collateralized by the receivables. FASB statement no 77, reporting by transferors for transfers of receivables with recourse to be recognized as a sale if all the following conditions are met.

1. The transferor surrenders control of the future economic benefits embedded in the receivables.
2. The transferor's obligation under the recourse provisions can be reasonably estimated.
3. The transferee cannot require the transferor to repurchase the receivables except pursuant to the recourse provisions.

If any of this condition is not met, the amount of the proceeds from the transfer of receivables is reported as a liability resulting from a borrowing transaction. (Mosich,1998)

2.20. Goals of Receivable Management

The basic goal of credit management is to maximize the value of the firm by achieving a tradeoff between the liquidity (risk and profitability). The purpose of credit management is not to maximize sales, nor to minimize the risk of bad debt. If the objective were to maximize sales, then the firm would sell on credit to all. On the contrary, if minimization of bad debt risk were the aim, then the firm would not sell on credit to anyone. In fact, the firm should manage its credit I n such a way those sales are expanded to an extent to which risk remains within an acceptable limit. Thus to achieve the goal of maximizing the value, the firm should manage its trade credit.

The efficient and effective credit management does help to expand sales and can prove to be an effective tool of marketing. It helps to retain old customers and win new customers. Well administrated credit means profitable credit accounts. The objectives of receivable management is to promote sales and profits until that point is reached where the return on investment is further funding of receivables is less than the cost of funds raised to finance that additional credit.

Granting of credit and its management involve costs. To maximize the value of the firm, these costs must be controlled. These thus include the credit administration expanses, bad debt losses and opportunity costs of the funds tied up in receivable. The aim of credit management should be to regulate and control these costs, not to eliminate them altogether. The cost can be reduced to zero, if no credit is granted. But the profit foregone on the expected volume of sales arising due to the extension of credit.

Debtors involve funds, which have an opportunity cost. Therefore, the investment in receivables or debtors should be optimized. Extending liberal credit pushes sales and thus results in higher profitability but the increasing investment in debtors' results in increasing cost. Thus a trade off should be sought between cost and benefits to bring investment in debtors at an optimum level. Of course the level of debtors, to a great extent is influenced by external factors such as industry norms, level of business activity, seasonal factors and the degree of completion. But there are a lot of internal factors include credit terms, standards, limits and collection procedures. The internal factors should be well administered to optimize the investment in debtors.

2.21Assignment of Receivables

Instead of selling receivables, a business enterprise may borrow money using the receivables as collateral. This may involve a pledge of the receivables under a contract providing that the proceeds from the collection of the receivables must be used to retire the loan. Alternatively, receivables may be assigned under a more formal arrangement whereby a borrower (assignor) pledges the receivable to a lender (assignee) and signs a promissory note payable. Assignment gives the assignee the same right to bring action to collect the receivables that the assignor possesses. The assignor retains the credit risks and continues collection efforts and promises to make good any receivables that cannot be collected.

The primary accounting problem raised by assignment of receivables is to measure the assignor's equity in the assigned receivable and the liability to the assignee. (Mosich, 1998)

2.22. Presentation of Receivables in the Balance Sheet

In the current asset section of the balance sheet, material amounts of the following classes of receivables are reported separately.

1. Notes and other receivables arising from written negotiable contracts.

2. Ordinary trade receivables.

3. Installment account receivable.

 (4) Receivables form U.S government, and

 (5) Other current claims negotiable notes and contracts have a special status because of the ease with which they may be converted to ash through discounting.

Any discount or premium relating to not receivable is reporting in the balance sheet as a deduction from or as an addition to the face amount of the notes. The description of notes receivable should include the effective interest rate, receivables that have been pledged are identified, and any receivables that will not be collected within a year or the operating cycle are excluded from the current assets category. Accredit balance in an individual account receivable. If material in amount is reported as current liability receivables form officer's employees, stock holders generally are classified as noncurrent unless current collection is assured. (Mosich,1998)

2.23. BSPE Credit Sales Collections

- The account have to report for financial manager about continuous assessment of Account Receivable whether collect at on appropriate time or not and the Receivables those are not collect up to the due date of collection period measurement must take.

- By making analysis on Account Receivable time frame for those are not collect for large period of time have to make separate from those are collected and put reserve for those account.
  - ✓ If it had above (3) months from the collection period and the receivable account is doubtful to collect, 25% reserve is needed.
  - ✓ If it had above (6) months from the collection period and the Receivable Account is doubtful to collect, 50% reserve is needed.
  - ✓ If it had above one year from the collection period and the Receivable Account is doubtful to collect, 100% reserve is needed.

- Based on the procedure transferred by the agency those are not collectable by getting approval from the authorized person can make delete from the records

- For those are not collected up to the due date of the collection period must to adjust with the customer account at least in (3) months. (BSPE document)

2.24. Accounting Policies of BSPE

The principal accounting policies the enterprise adopted. Which are consistent with those applied in the preceding year, are stated below;

a. Fixed assets are stated at cost less accumulated depreciation.

Depreciation is charged on the straight line basis at the following rates per annum.

	Percentage (%)
Building	5
Machinery, tools and equipment	12, 16 and20
Types and characters	20
Motor vehicles	20
Furniture, fixture and fittings	10
Office equipment	10

Major repairs and maintenance cost of fixed assets which increase the life of the fixed assets maintained for over one year and purchase of fixed assets over birr 250.00 are capitalized.

b. Stock is valued as follows

1. Finished products at cost
2. Working process at direct material, labor and overhead costs.
3. Row material, spare parts and other

   Stores at average cost. (BSPE document)

CHAPTER THREE

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter presents the data analysis and interpretation made on the data of the research entitled "assessment of account receivable management in the case of BSPE" the primary data collected through questioner and interview. The secondary data collected through written material like report and manual structured questionnaires distributers to 8 employees and all questionnaires are returned. The data collected is then presented and analyzed using descriptive techniques endeavored in table.

3.1 Analysis and interpretation of questionnaire result in table form

Table 3.1 Back ground of respondents in finance department of BSPE.

Description	Respondents	
	Frequency	Percentage (%)
Sex Female	4	50
Male	4	50
Total	8	100
Age		
18-25	—	—
26-34	4	50
35-45	2	25
Above 45	2	25
Educational status		
Less than 12 grade	—	—
12 grade completed	—	—

Diploma	2	25
1st degree	6	75
2nd degree and above	—	—
Experience in the field		
1-5 year	—	—
5-10 year	4	50
Above 10 year	4	60

(source on survey)

As shown on the above table 3.1 gender distribution of our respondents shows 50% of male and 50% of female similar to the gender distribution the two age group falls under the following category, the age group from 26-34 take the largest share which is 50% the age group from 35-45 take 25% similarly the age above 45 respondents take 25%, accordingly no respondents are the age of 18-25 years, So that we can easily see that majority of the respondents age 26-34 years. With regard to educational status about 25% of total respondents are diploma, 75% hold 1st degree, accordingly no degree and above. We can easily observe that the majority of the respondents are 1st degree holders. From the total respondents, 50% have b/n 5-10 year experience and 50% of respondents have above 10 years work experience accordingly no respondents are between 1-5 year experience from this table we can conclude that good enough to accomplish their responsibilities professionally.

Table 3.2 Study of data analysis

Item description	Frequency	Percentage (%)	Frequency	Percentage (%)
I. 1 Do berhanena selam printing enterprise has developed methods to control receivable?	8	100	—	—
I.2 Do berhanena selam printing enterprise do credit checks on new customer?	4	50	4	50
I.3 Do berehanena selam printing enterprise settled its receivables with customers through court decisions?	5	62.5	3	37.5

(source on survey)

As indicates in table 3.2 item 1 employees were asked do BSPE have developed methods to control receivable, 100% of respondents believed that the enterprise have developed methods to control receivable. In addition the manager says BSPE developed method to discriminate customers by their frequency of contacts and volume to purchase is the enterprise uses the profiles of the customers this profiles contain information about customer's company, past relationship with BSPE on credit sale, the customer take product and time interval to pay the money. Generally the credit sale taker customers have profile so, BSPE see this profile to discriminate customers by their frequency of contact and volume of purchase.

As indicates table 3.3.1 item 2 employees were asked do BSPE do credit checks on new customer, 50% of the respondents answered yes and 50% of respondents answered no, this implies the enterprise do credit check on new customer or it didn't.because of the enterprise doesn't gate enough information about new customers and also reduce the risk of uncollectability of receivables.

As indicated in table 3.3.1 item 3 employee were asked do BSPE settled its receivables with customers through court decision, 62.5% of respondents answered yes and 37.5% respondents answered no, so we can simply see that the enterprise settled its receivables with customers through court decision.in other side the manager sayed receivables those

are not collect are threated as bad debt,when Account receivables become uncollectible,when the enterprise is late to give the product (time) or whenever errors on doing the product and when if you certain the account receivables are uncollectible or bad debt it see as an expense, finally it is writ off, so we can see that the organization handles receivables that become uncollectable or bad debt is by this method.

Table 3.3 BSPE schedule to collect receivable

Discription Scheduled to collect receivable	Frequency	Percentage (%)
Weekly	—	—
Monthly	—	—
Yearly	—	—
Daily	8	100%
Total	8	100%

(source on survey)

From this study we can see that the enterprise schedule daily to collect receivables, because all respondents (100%) answered daily schedule to collect receivables.it implies BSPE can easily identify collectable and uncollectablity of receivables.

Table 3.4 Type of customers do BSPE disallow mode of payments other than cash

For what type of customers do BSPE disallow mode of payments other than cash?	Frequency	Percentage (%)
Business customers	—	—
Individuals	2	25
Companies	2	25
Non regular visitors	1	12.5
Only new customers	—	—
Unreturned	3	37.5
Total	8	100

(source on survey)

From this table the type of customer who says the enterprise disallow mode of payments other than cash is unknown because the respondents who says to individual is 25%,to companies similarly to individual that is 25% and 12.5% of respondents answered to non regular visitors, no one respondents answered to business customers and to only new customers, 37.5% of respondents are not answered this table implies, the type of customers to disallow mode of payments other than cash is not specialized or unknown.

Table 3.5 Sending out bills to customers

BSPE sends out bills to customers who owe its money, how often?	Frequency	Percentage (%)
Once in a month	1	12.5
Twice in a month	1	12.5
More often daily	4	50
Un returned	2	25
Total	8	100

(source on survey)

As shown the above table equal percent (12.5%) of the respondent's answers once in a month and twice in a month 25% of the respondents are answered, the majority of respondents (50%) answered more often daily. So we conclude BSPE sends out bills to customers who owe its money is more often daily.this implies BSPE can reduce delay of payment.

Table 3.6 Eeffect of account receivables on the working capital

What is the effect of account receivables on the working capital of BSPE?	Frequency	Percentage (%)
Increased working capital	6	75
Less effect on the working capital	1	12.5
Fluctuating effect on the working capital	1	12.5
Total	8	100

(source on survey)

As indicate from the above table equal % of the respondents that is 12.5% answered less effect on the working capital and fluctuating effect on the working capital, majority of the respondents (75%) answered increased working capital so, we can easily see that Account Receivables are increased working capital of BSPE.the manager says sometimes Account receivables effect on working capital is variable, most of effect in negative way. The amount of receivable is high and this receivable has not collected in time, it makes cash shortage. Cash shortage is negatively affecting the working capital. We conclude that account receivables are effect on working capital by shortage of cash so; the enterprise has tried to collect receivables to reduce the effect on working capital .

Table 3.7 Types of customers take service by credit sale

What type of customers take service by credit sale from BSPE?	Frequency	Percentage (%)
Private company	1	12.5
Governmental company	6	75
Non governmental	—	—
To all	1	12.5
Total	8	100

(source on survey)

As shown from the above table 12.5% of the respondents answered credit sales taker are private company, the majority of respondents (75%) answered credit sales service take to governmental company, no one respondents are answered to nongovernmental company, 12% of the respondents says credit sales take to three of them. This table implies BSPE take service by credit sales only to governmental companies.and this give assurance for the company about collection.

Table 3.8 Check payment and bank deposit

ITEM 1	BSPE accepts checks from all customers for payment	frequency	percentage(%)
	Strongly agree	3	37.5
	Agree	2	25
	Neutral	1	12.5
	Disagree	2	25
	Strongly disagree	-	-
	No answer	-	-
ITEM 2	BSPE accepts payments in the form of bank deposit	frequency	percentage(%)
	Strongly agree	2	25
	Agree	6	75
	Neutral	-	-
	Disagree	-	-
	Strongly disagree	-	-
	No answer	-	-

(source on survey)

As it is show in the above table 3.8 I1, 3 (37, 5%) of the respondents response that they are ``strongly agree`` on BSPE accept checks from all customers for payment while other 2(25%) are agree other 1(12.5%), 2(25%) of respondents response that they are neutral, disagree on the concept respectively from the above presentation BSPE accepts checks from all customer for payment to make easily payment mechanism for the customer.

From the above table 3.8 I2, 2(25%) of the respondent ``strongly agree`` on the enterprise accepts payments in the form of the bank deposits others 6(75%) of the respondent are agree.accepts payments in the form of the bank deposit reduce the time of the enterprise to collect and deposit to the bank.

Table 3.9 Credit & debit card and online payment

ITEM 1	BSPE applies credit and debit cards to collect receivables	Frequency	percentage (%)
	Strongly agree	3	37.5
	Agree	4	50
	Neutral	-	-
	Disagree	1	12.5
	Strongly disagree	-	-
	No answer	-	-
ITEM 2	Online payment method are available to collect receivables	Frequency	percentage (%)
	Strongly agree	3	37.5
	Agree	2	25
	Neutral	-	-
	Disagree	-	-
	Strongly disagree	2	25
	No answer	1	12.5

(source on survey)

As shown in The above table3.9 I1, 3(37.5%) of the respondents are strongly agree on BSPE applies credit and debit cards to Collect receivables. 4(50%) or majority of the respondents answered agree on the enterprise uses debit and credit card to collect receivables. 1(12.5%) of the respondent are disagree on the enterprise use mechanism of debit and Credit card.

As shown from table3.9 I2, 3(37.5%) of the respondents are strongly agree on online payment method are available to collect receivable. Others 2(25%), 2(25%), 1(12.5%) of the respondents they are agree disagree, strongly disagree respectively we conclude that on line payment methods to collect receivable are available on BSPE.

Table 3.10 Email & SMS and contact person

ITEM 1	BSPE send reminders through email and SMS to its customers to collect receivables	frequency	percentage (%)
	Strongly agree	1	12.5
	Agree	2	25
	Neutral	1	12.5
	Disagree	3	37.5
	Strongly disagree	1	12.5
	No answer	-	-
ITEM 2	BSPE sends contact person to customers when payments are delayed or due	frequency	percentage (%)
	Strongly agree	4	50
	Agree	-	-
	Neutral	1	12.5
	Disagree	1	12.5
	Strongly disagree	-	-
	No answer	2	25

(source on survey)

From Table 3.10 I1, where asked BSPE sends reminders Through email or SMS to its customers to Collect receivables, 1(12.5%) of The respondents are strongly agree,2(25%) respondents are agree,1(12.5%) of the respondents are neural,3(37.5%) of respondents are disagree,1(12.5%) of respondents are strongly disagree We can easily see

That The majority of The respondents are disagree, so BSPE do not sends reminders through email or SMS to its customers to collect receivables.

From Table 3.10 I2, Where asked BSPE sends its Contact person to Customers when payments are delayed or due, 4(50%) of the respondents are strongly agree, 1(12.5%) of the respondent are neutral, 1(12.5%) of the respondents are disagree. (25%) of the respondents are not aware on this issue. From This presentation we conclude that BSPE sends its Contact person to customers when payments are delayed or due.this indicates the enterprise does not use email and SMS reninders rather it use contact person.

Table 3.11 Prioritrize receivables,cash flow projection and early payment setllement

ITEM 1	BSPE prioritize receivables based on their age and associated risk	frequency	percentage (%)
	Strongly agree	1	12.5
	Agree	1	12.5
	Neutral	1	12.5
	Disagree	3	37.5
	Strongly disagree	-	-
	No answer	2	25
ITEM 2	Cash flow projection and outstanding position are available to credit managers	frequency	percentage (%)
	Strongly agree	1	12.5
	Agree	5	62.5
	Neutral	1	12.5
	Disagree	-	-
	Srongly disagree	-	-
	No answer	1	12.5
ITEM 3	BSPE provides its customers early settlement discount to minimize delay.	frequency	percentage (%)

		Strongly agree	-	-
		Agree	2	25
		Neutral	-	-
		Disagree	1	12.5
		Strongly disagree	2	25
		No answer	3	37.5

(source on survey)

As show the above Table 3.11 I1, 1 (12.5%) of the respondent strongly agree on BSPE prioritize receivables based on their ages and associated risk. Similarly 1(12.5%) are agree, Other 1(12.5%) are Neutral, 2(25%) are disagree, 2(25%) respondents are not answered, we can easily that uncertainty about BSPE prioritize receivables based on their age and associate risk.this implies there is no age discrimination with associated risk.

From table 3.11 I2,1(12.5%) of the respondents answer strongly agree on Cash flow projections are available to credit managers, 5(62.5%) of the respondents are agree, 1(12.5%) respondent is neutral ,1(12.5%) is un answered, So we conclude that cash flow projections and outstanding position are available to credit managers.

From table 3.11 I3, 2(25%) of the respondents are agree on BSPE provides its customers early settlement discount to minimize delay, 1(12.5%) of the respondents are disagree, 2(25%) of the respondents answered strongly disagree, 3(37.5%) of the respondents are not answered on this issue, this implies BSPE provides its customers early settlement discount to minimize delay is not described.this implies there is no special benefit for those customers who made early payment like discount and especial treatment.

Table 3.12 Warning letter,cost benefit analysis and sales cycle

ITEM 1	The organization issue warnig letters to customers who did not pay over time	frequency	percentage (%)
	Strongly agree	2	25
	Agree	1	12.5
	Neutral	1	12.5
	Disagree	1	12.5
	Strongly disagree	-	-
	No answer	3	37.5
ITEM 2	Collecting receivables are costly than its benefits to BSPE	frequency	percentage (%)
	Strongly agree	-	-
	Agree	2	25
	Neutral	2	25
	Disagree	1	12.5
	Strongly disagree	-	-
	No answer	3	37.5
ITEM 3	The organization sales cycle is relatively short	frequency	percentage (%)
	Strongly agree	1	12.5
	Agree	3	37.5
	Neutral	-	-
	Disagree	1	12.5
	Strongly disagree	-	-
	No answer	3	37.5

(source on survey)

From table 3.12 I1 ,2(25%) of the respondents are strongly agree on the organization issue warning letters to customers who didn't pay over time, equal   percent that is

1(12.5%) of respondent are agree, Neutral and disagree, other 3(37.5%) of the respondents are not answered. So we conclude that the organization issue whenever warning letters to customers who didn't pay over time or not. The manager says the organization uses two ways to deal with problematic customers to settle receivables. Problematic customers' means those did not pay the money of credit sales. One way is cutting the relationship for future, the second many customers are take continuous product from the enterprise, so the enterprise for bidden the remains product.

From Table 3.12 I2, 2(25%) of the respondents are agree on collecting receivables is costly than its benefits to BSPE, others 2(25%) of respondents are Neutral, 1(12.5%) of the respondents are disagree, 3(37.5%) of the respondents are not answer. From This presentation, we can easily see that Collecting receivables is may be costly than its benefits or not to BSPE.

The last Item From Table 3.12 I3,1(12.5%) of the respondents are strongly agree on the organization sales cycle is relatively short, 3(37.5%) of respondents are agree, other 1(12.5%) of the respondents disagree,3(37.5%)of the respondents have not answer. This implies the organizations sales cycle is short but sometimes is unknown.

CHAPTER FOUR

SUMMERY, CONCLUSIONS AND RECOMMENDATIONS

4.1 Summery

The objective of this study is to management of Account Receivable system practical of Berehanenaselam Printing Enterprise and to find out the problems related with Account Receivable management.The method used to prepare this research is purposive sampling technique to pick finance department, and types of data to be collected in primary and secondary data obtained through questionnaires, interviews and observation method written document from the enterprise manual.The method in analyzing and presentation data using descriptive analysis method like percentage and tables. The research analysis can be summarized as follows;

- ✓ As the result of the analysis indicates, 4(50%) males and 4(50%) females are the respondents.

- ✓ With regard to qualification of the respondents, the majority of the respondents were 1st degree holders.

- ✓ As the result of the analysis indicates, the majority of the respondents range "between" 5-10 and above 10 years.

- ✓ 8 or 100% of the respondents believed that the enterprise have developed methods to control receivables.

- ✓ 8 or 100% of the respondents says that the enterprise schedule daily to collect receivables.

- ✓ 6(75%) of the respondents believed that effect on account receivable is increased working capital of the enterprise.

- ✓ From this study we can see that 6(75%) of the respondents says that BSPE give service by credit sales only to governmental companies. To insure collecting receivables in specified time.

- ✓ 8(100%) of the respondents believed that BSPE send out bills to customers who owe its money is more often daily.

- ✓ 3(37.5%) of the respondents are strongly agree by the enterprise applies credit and debit cards to collect receivable.

- ✓ 3(37.5%) of the respondents are strongly agree on online payment method are available to collect receivables.

- ✓ 3(37.5%) of the respondents are disagree on the enterprise sends reminders through email or SMS to its customers to collect receivables.

- ✓ 4(50%) of the respondents are strongly agree on BSPE sends its contact person to customers when payments are delay or due to implement receivable policy.

- ✓ 3(37.5%) of the respondents are answered on BSPE provides its customers early settlement discount to minimize delay is not practical.

- ✓ 4(50%) of the respondents believe that the enterprise issue warning letters to customers who did not pay over time, in other side 4(50%) of the respondents have no idea.

- ✓ 4(50%) 0f the respondents says that collecting receivables may be costly than its benefits, 4(50%) of the respondents says cannot be determined.

- ✓ 3(37.5%) of the respondents says that the enterprise sales cycle is short, 3(37.5%) of the respondents have no idea.

4.2 Conclusions

- ✓ The finding shows that, the enterprise schedule daily to collect receivable ,therefor this reduce risk of uncollectable to the enterprise and the receivable collection is not complex,it can be clear.

- ✓ The organization sales cycle is short and this leads to the enterprise get additional customers when the sales is short and also increase efficiency of the organization to maximize the value of the firm by short cycle,so the customers are attracted by this short sales cycle.

- ✓ The enterprise has to implement the receivable policy like an effect of account receivables to be increase working capital of the enterprise to become productive.

- ✓ The finding show that ,credit sales services are given to only to governemental company to proper nanagment of the receivable and thsis is assurance to the enterprise to get the receivable in its specified time .

- ✓ The finding show that methods the enterprise adoupte good control over receivable like send contact person,applies credit card and debit cards to collect receivable.

4.3 Recommendations

✓ In our study we come up with various aspects of management of account receivables, in general the management of account receivable for BSPE is satisfactory, except for those customers who made an early settlement is not get special benefit than for those who are made.Thus we recommend for the enterprise make a discount or other beneficiary treatment. This help to the enterprise to collect receivables in short period.

✓ To account credit sales or receivables a computerized system is preferred than manual, but the enterprise lucks of computerized receivable accounting system.Thus we recommend for the company to use computerized receivable accounting system, this facilitates the company recording system.

✓ The enterprise did not use email and SMS reminders. It has negative impact on the collection period of time. So, the enterprise should use email and SMS reminders rather than sending contact persons.

✓ The company is using credit sales in a large amount, even if it has its own advantage, sometimes it may have its own problem in the liquidity status of the cash flow of the firm, so the organization is advised to moderate its system by referring to its financial position and liquidity status by canceling the credit sales advantage with its demerits.

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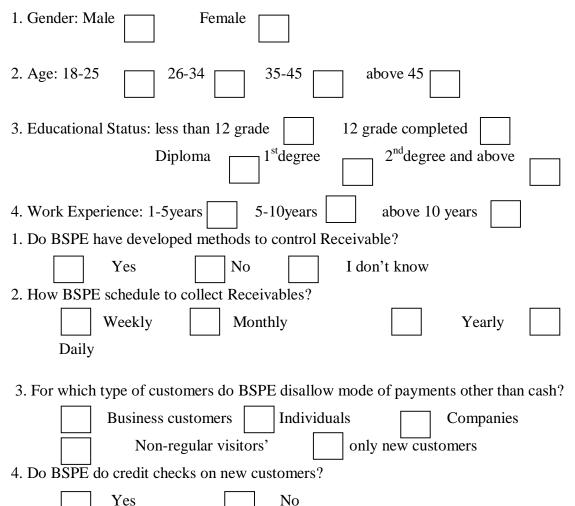Warren and Fess (1990) . Accounting Principle (16th edition).USA: South - Western Publ.Co.

Appendices

ST.MARY'S UNVERSITY

BUSINESS FACULITY

ACCOUNTING DEPARTMENT

QUESTIIONNAIRE TO BE FILLED BY FINANCE DEPARTMENT OF

BERHANENA SELAM PRINTING ENTERORISE

Dear respondents

This questionnaire is prepared to gather reliable data about account receivable in case of BSPE to be prepared partial fulfillment of BA degree in accounting. The success of this research is highly dependent on upon your genuine responses. Hence you are kindly requested to fill the questionnaire by putting a thick mark. All information you give is going to be used for pure academic purpose and kept confidential. You are not required to write your name.

Thank you in advance for your cooperation

1. Gender: Male ☐   Female ☐

2. Age: 18-25 ☐   26-34 ☐   35-45 ☐   above 45 ☐

3. Educational Status: less than 12 grade ☐   12 grade completed ☐
Diploma ☐   1stdegree ☐   2nddegree and above ☐

4. Work Experience: 1-5years ☐   5-10years ☐   above 10 years ☐

1. Do BSPE have developed methods to control Receivable?

☐ Yes   ☐ No   ☐ I don't know

2. How BSPE schedule to collect Receivables?

☐ Weekly   ☐ Monthly   ☐ Yearly   ☐
Daily

3. For which type of customers do BSPE disallow mode of payments other than cash?

☐ Business customers   ☐ Individuals   ☐ Companies
☐ Non-regular visitors'   ☐ only new customers

4. Do BSPE do credit checks on new customers?

☐ Yes   ☐ No

5. BSPE sends out bills to customers who owe its money, how often?

☐ Once in a month   ☐ twice in a month   ☐ more often daily

6. Do BSPE settled its Receivables with customers through court decisions?

☐ Yes   ☐ Not yet

7. How do you describe account Receivables effect on the working capital of BSPE?

☐ Increased working capital   ☐ less effect on the working capital

☐ Fluctuating effect on the working capital

8. What type of customers take service by credit sale from BSPE?

☐ Private company   ☐ governmental company   ☐ non governmental

N.B Please put "✓" mark in the box your answer is located

Questions   parameters

	strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. BSPE accepts checks from all customers for payment.					
2. BSPE accepts payments in the form of Bank deposits.					
3. BSPE applies credit and debit cards to collect receivables.					
4. Online payment methods are available to collect receivables.					
5. BSPE sends reminders through email or SMS to its customers to collect					

receivables.					
6. BSPE sends its customer contact persons to customers when payments are delayed or due.					
7. BSPE prioritize receivables based on their age and associated risk.					
8. Cash flow projections and outstanding positions are available to credit managers.					
9. BSPE provides its customers early settlement discount to minimize delay.					
10. The organization issue warning letters to customers who didn't pay over time.					
11. Collecting receivables is costly than its benefits to BSPE.					
12. The organizations sales cycle is relatively short.					

INTERVIEW

1. What methods do BSPE developed to discriminate customers by their frequency of contacts and volume of purchase?

2. How do you describe the Receivables effect on the working capital of BSPE?

3. What is the impact of Accounts Receivables practice of the organization on its financial performance?

4. How could the organization deal with problematic customers to settle Receivable?

5. How the organization handles Receivables that become uncollectible (bad debt)?

SUBMISSION APPROVAL SHEET

This paper has been submitted for examination with our approval as advisor.

Name; _____

Signature; _____

Place of submission; _____

Date; _____

STATEMENT OF DECLARATION

We, the undersigned, declare that this senior essay is our original work; prepared under the guidance of (Mehari H/Selasse).all sources of materials used for manuscript have been duly acknowledge.

Name _____

signature_____

Place of submission_____

Date of submission _____

Name _____

signature_____

Place of submission_____

Date of submission _____