

# *Analysis on the Problems and Countermeasures of Accounts Receivable Management in Shanghai Weiming Food Company*

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**Abstract:** Enterprises in China's food manufacturing industry are mainly small and medium-sized enterprises, which are in a weak market position. With the continuous integration of distributors and the tight capital chain, the proportion of procurement credit will increase, and the problem of accounts receivable will become more and more prominent. Aiming at this problem, this paper adopts literature method and case analysis method to study and discuss the existing problems of accounts receivable management of Shanghai Weiming Food Company. Paper first introduces the research background and significance, this paper expounds the concept and basic theory of accounts receivable management, wei Ming food company accounts receivable management present situation of Shanghai, and analyzes the Shanghai wei Ming food company accounts receivable management problems, such as not to set up independent credit management department, business process controls and the absence of regulation, deficiency in the collection and appraisal way, Market credit mechanism is not perfect. In view of these existing problems, the paper puts forward the corresponding improvement measures, one is to set up a credit management group; Second, establish a sound credit management system; Third, standardize sales process management; Fourth, establish and improve collection and assessment methods.

**Keywords:** food enterprise, accounts receivable, credit management, the collection system

## 1. Introduction

Based on Shanghai wei Ming food company is currently operating in the challenges and opportunities coexist of objective facts, this paper combined with himself in Shanghai wei Ming food company financial management for many years of work experience and the relevant financial and accounts receivable management theory, the Shanghai wei Ming food company accounts receivable management, such as the internal control system, customer credit evaluation research and analysis, comprehensive management, and other content, From the perspective of external factors and internal control environment to find out the problems and formulate optimization measures, put forward comprehensive suggestions and countermeasures to optimize the accounts receivable management system of Shanghai Weiming Food Company, in order to reduce the financial risk of Shanghai Weiming Food Company and optimize the enterprise management. Accounts receivable of an enterprise is a component of current assets, which reflects the turnover speed and operating status of the enterprise.

Excessive increase in accounts receivable, coupled with inadequate management, will improve the financial risk of enterprises, reduce the business efficiency of enterprises, however, blindly reduce the amount of accounts receivable, will cause a decline in sales performance, affect the effective use of market credit. Therefore, the research on accounts receivable management has important practical significance for the healthy development of enterprises.

## 2. Literature Review

The concept of accounts receivable was proposed by foreign scholars in the middle of the 20th century and continuously studied in the subsequent development. Ala 'a Adden Abuhommous, Tareq Mashoka took a listed company in Jordan as an example to study its trade credit policy [1]. It is considered that there is an authorized upper limit of enterprise receivables. It is suggested that the company must pay attention to the relationship between itself and customers, and rationally plan the accounts receivable of the enterprise. These views are crucial to the enterprise credit and development. Kolisnyk Olena, Zamota Irina specialize in accounts receivable in information and telecommunications [2]. The definition of accounts receivable and how to distinguish and identify are further determined in the legislative standard of their country. To determine the essence of accounts receivable in telecommunication industry, identify the classification characteristics of classification, analysis method defines the task, main direction and object of receivables management. Mohammad Hossein Jahangiri proposed that companies in the account receivable business usually determine payment strategies such as penalty rate, delivery time, customer discount and order fulfillment quantity in the contract for products ordered by customers [3]. These payment strategies affect not only the amount of money customers pay but also customer satisfaction. It has developed an optimization mathematical model to maximize the amount of cash received from customers over time by maximizing customer satisfaction and optimizing payment policy parameters.

Accounts receivable in accounting is an important part of the current assets in the assets, foreign researchers in its concept and other basic systematic research, strengthen the exploration of accounts receivable management. T. Stupnytska began to focus on the accounts receivable management of economic subjects, and analyzed the management mechanism and implementation of economic subjects [4]. Payanok TM divided the management stage of accounts receivable according to the pre-event, in-process and post-event, and elaborated respectively [5]. Provides a rating estimation method for potential customers that will improve the efficiency of previous controls, grouping according to the results of the overall assessment, which is based on trust criteria to assign the basis of customers.

Credit theory is also an important part of accounts receivable management research, credit theory is developed from the 3 "C" theory, is the three elements of character, capacity and capital reflect the company's situation. In the process of continuous development, Collateral as the fourth "C" and condition as the fifth "C" eventually formed the current 5C theory. Flavia Barsotti divided the causes of credit risk of accounts receivable into internal and external causes [6]. To reduce credit risk, companies should not only analyze the impact within the company, but also focus on external factors. K.K. Aggarwal studied credit sales, analyzed the relationship between enterprise inventory and credit duration, and established a mathematical model to determine the relationship between inventory and credit decision-making [7]. Put forward the view that credit policy and credit sales are closely related, and the influence of credit theory on enterprise cash flow.

## 3. Research Methods

Paper first introduces the research background and significance, this paper expounds the concept and basic theory of accounts receivable management, wei Ming food company accounts receivable management present situation of Shanghai, and analyzes the Shanghai wei Ming food company accounts

receivable management problems, such as not to set up independent credit management department, business process controls and the absence of regulation, deficiency in the collection and appraisal way, Market credit mechanism is not perfect. In view of these existing problems, the paper puts forward the corresponding improvement measures, one is to set up a credit management group; Second, establish a sound credit management system; Third, standardize sales process management; Fourth, establish and improve collection and assessment methods.

### 3.1. Organizational Structure of Accounts Receivable Management

For Shanghai wei Ming food company, its structure is mainly to do further extension, based on the linear organization focused on the flat, and the division of the enterprise each department is very simple, division of responsibility is not clear and specific, and with the enterprise implements the stable and sustainable development, the business scale is more and more big, in the organizational structure of enterprises shall be further improved, Accurately delineate the functional scope of each department. According to the related management responsibilities of accounts receivable management, this part is undertaken by the Marketing Department and the financial management Department. They are jointly responsible for all the work involved in customer development, payment collection, financial disposal and other processes.

### 3.2. Accounts Receivable Management Content

**Managed basic customer information and credit examination.** In the process of carrying out accounts receivable management in Shanghai Weiming Food Company, the contents involved are specifically reflected as follows: By the enterprise marketing personnel on the basis of enterprise high-level marketing target set, and based on the marketing performance of current gain, be responsible for develop potential customer group, the company commodity marketing, strive for more orders signed contracts, if before signing the contract customers apply for a credit application this form, the marketing personnel shall to collect all the information about the customer, Specifically, it contains the customer's business license, financial report, business registration and filing information, and so on. After the data collection is completed, the financial department is responsible for the archiving and preservation of the signed marketing contracts and customer files. According to the information obtained, if the customer's credit sales amount is less than 50000 yuan, then the marketing personnel can make independent decisions whether to allow their credit sales and specific credit sales standards. If the AMOUNT of CREDIT is above \$50,000, THE marketer should present the information to the MARKETING manager, who can make a decision about whether to GRANT credit or determine the highest level of credit.

**Analysis and tracking management of accounts receivable.** After the customer's credit sale application is approved, the enterprise will sign the sales contract with the customer, and timely inform the warehouse management department and purchasing department to complete the process of product distribution and purchase. According to the application of the marketing personnel, the financial department will issue invoices for them, carry out the accounting disposal work, and confirm the specific revenue and accounts receivable formed in this business. Shanghai Weiming Food Company requires the receivable accountant to summarize the accounts receivable situation monthly, and report to the financial manager and sales manager, and inform the relevant sales staff to collect. In addition, the provision of accounts receivable bad debts shall be automatically made by the financial system in accordance with the general provisions of the standards.

**Receivables collection and overdue disposal.** After reaching the deadline, there are usually two types of accounts receivable, the first is timely payment, the second is the customer due to a variety of reasons to delay payment. In view of the timely collection of the situation, the marketing personnel

should submit the specific details of the collection, by the financial staff according to the corresponding process to write off the arrears records, and the real recovery of money and book money to proof-read, clear there is no deviation, and the causes of deviation are analyzed. In view of the situation of delayed payment, first of all, the financial personnel should timely inform the financial director, the marketing director and the financial director to jointly explore the plan, and arrange the relevant personnel to investigate the specific reasons and carry out collection work. If the customer delays the payment for goods due to some objective reasons, it should be understood and dealt with as appropriate. And if the customer is intentionally delayed payment, you should adopt some effective collection measures, for example, because many clients is a bigger hospital business enterprises, increasing competition in the industry, and the profit space is compressed sharply, the enterprise to retain customers, enhance customer trust and loyalty, greater will often go on the application of appropriate means of collection, For example, give appropriate reminders through phone calls and E-mail, and then drop by after nothing works.

**Responsibility and system of accounts receivable management.** This article points out that the responsibility of receivables management should be shared by the financial management Department and the Sales Department, and both parties are responsible for the formulation and optimization of the work system. The financial management department is responsible for the filing and management of customer files, the disposal of finance, the analysis of the aging of accounts, the confirmation and withdrawal of bad debts, the regular verification of accounts with customers, the supervision of the recovery process of payment for goods, and the preparation of marketing strategies. The Marketing Department is mainly responsible for the formulation of sales contract management methods, payment collection details, collection and sales policy formulation, responsible for checking with customers in and out of the warehouse, accounts settlement, customer relationship maintenance.

**Accounts receivable reconciliation mechanism.** Under the accounts receivable reconciliation mechanism, the financial department and the Marketing Department are required to review and proof-read the specific age and actual amount of accounts receivable at the beginning of each month, especially the accounts with very long age, as the main audit and proofread items. Financial management staff regularly issue account reconciliation letter, sales staff monthly check, and timely find abnormal situations, find the cause of deviation, truly ensure the unity of accounts and facts. In view of the transaction amount is very high, there exist deviations in more frequency and amount, reconciliation letter of recycling difficult and long ages of customer, marketing director to give attention, to invite customers in a timely manner to prompt statements, the check result for a complete summary report, timely feedback on the sales director and chief financial officer.

**Accounts receivable collection mechanism.** Under the accounts receivable collection mechanism, the financial department is required to timely submit the aging statement to the sales supervisor when the accounts exceed the collection deadline, and the sales supervisor will appoint a special person to complete the collection work. The specific collection forms include sending E-mail, telephone contact and visiting the house. According to the specific payment overdue time, adopt a differentiated form of account collection. For customers with very short overdue time, telephone communication can be used to remind them, and they should not be excessively disturbed. For customers who are overdue for a long time, you can send an Email to remind them. For very long overdue customers, if Email and phone contact do not work, then litigation can be applied to deal with.

**Credit policy management mechanism.** This mechanism states that for some large, high credit, debt repayment strength of customers, can apply a loose credit policy, to provide up to 80% of the credit sales, and for the above aspects of very ordinary customers, if can provide security, still can provide them with the credit policy. For customers who do not provide guarantees in time, the credit period is up to 90 days, and the credit sales limit cannot exceed 30%. For these very poor customers,

as far as possible do not provide credit sales, can moderate to provide some cash discounts, in order to quickly collect funds.

## **4. Shanghai Weiming Food Company Accounts Receivable Management Problem**

### **4.1. No Independent Credit Management Department Is Established**

For the management of receivables, a perfect organizational structure is more favorable. Shanghai Weiming Food Co., LTD. 's organizational structure is not perfect, and no credit management department has been set up to directly manage the business credit sales. In this case, the company is faced with more risk factors. Shanghai wei Ming food company to marketing as the core, the finance department is an important auxiliary, the Marketing Department in order to promote product sales, greater usually prepare the appropriate credit policy, as a result, even if the finance department to detect customers produce more than reimbursement deadline, beyond the situation of credit limit, also the lack of adequate rights to customer credit limit and payment days regulation, As a result, the company's collection risk is very high, resulting in huge bad debt losses, unreasonable credit policies and mutual buck-passing of accounts receivable problems occur frequently. Therefore, in order to reduce the probability of such problems, the enterprise must optimize and adjust its organizational structure and set up the corresponding credit management department, so as to truly strengthen the management of accounts receivable and obtain good management results.

In addition, due to the Shanghai wei Ming accounts receivable management methods used by food companies, mainly to marketing as the core, the finance department as the auxiliary power, which makes enterprises of the two departments are prone to certain contradictions and conflicts, for example the accounts receivable management goal which on the one hand, the finance department of accounts receivable has adopted moderately tight management policy, In order to ensure the safety of corporate funds, this will lead to a gap between the two departments. This estrangement will lead to poor communication between the two departments, and there will be no disposal subject for overdue arrears, which will eventually lead to serious absence of accounts receivable management and poor management. At present, the accounts receivable management of Shanghai Weiming Food Company is very passive. After a series of problems occur, the situation of passing the buck from one another sometimes occurs, which means that the deployment of accounts receivable management responsibilities made by the enterprise has huge hidden dangers for the stable and sustainable development of the company.

## **5. Conclusion**

In conclusion, this article based on to Shanghai wei Ming food company accounts receivable present situation investigation and analysis, clear the problem of its management stage, for example, credit management strength is not strong, department function privileges fuzzy, execution of business rules, and so on, based on the identified the cause of its accounts receivable management problem, specific include credit management system is not perfect, Poor control of business procedures, improper collection and assessment methods, and the impact of the market environment. In view of the problems and specific causes of accounts receivable management in Shanghai Weiming Food Company, effective optimization measures were formulated, such as strengthening the monitoring and management efforts, clearly defining the functional scope of each department, establishing a credit management team, establishing and improving the collection assessment mode, correctly interpreting the national policy. In order to make the enterprise's accounts receivable management toward the fine, scientific, comprehensive direction of development.

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