



Research Article

ISSN : 0975-7384
CODEN(USA) : JCPRC5

Study on accounts receivable in rural industrial enterprises

Guangrong Wu¹ and Xiaojing Dong*²

¹*Xi'an Medical University, China,*

²*Xijing University, Shaanxi, China*

ABSTRACT

Since China took part in the world trade organization, the momentum of economic development has been more rapidly. Farmers have not farmed land, but become industrial producers. With oversupply of the vast majority of products, most industrial enterprises adopt ways to expand sales, reduce product backlog, and make rapid growth. Payment in arrears is an indispensable way for enterprises to increase product market share. If the accounts receivable cannot be back in time, it is bound to bring the operating and financial questions, more even leads to financial strain and high financial expenses. In the end it makes the enterprise into a financial crisis. This article mainly discusses industrial enterprise should be managed accounts receivable from three aspects ---advance, matter and afterwards, and combined the solution of the accounts receivable management with the company's actual situation, put forward the corresponding countermeasure and the suggestion.

Keywords : Industrial Enterprises ; Accounts Receivable ; The Internal Control

INTRODUCTION

Accounts receivable refers that the enterprises in selling products, services and other business should charge the money of buy units, including taxes, freight pay, etc. Accounts receivable is along with the enterprise marketing behavior and forms creditor's rights. Therefore, accounts receivable is closely related to the confirmation of the related revenues.

According to reports, until March 27, 2012, there have been 930 listed companies released 2011 annual report. [1]Accounts receivable is one of the listed company's financial indicators, in the process of production and operation plays a very important role, at the same time accounts receivable directly affects the enterprise working capital turnover and economic benefits. With comparable data of 902 listed companies, accounts receivable amounted to 8774. 04 billion Yuan in 2011, and accounts receivable at the end of 2010 was 4516. 23 billion Yuan, by growth in 94. 49%. [2]The 902 listed companies implemented net profit in 2011 was 4369. 76 billion Yuan, growth of 12. 22%. On the whole, the total amount of accounts receivable is the net profit of the total amount of 2. 01times. If the accounts receivable is not back in time and bad debts, so the performance of listed companies will suffer a big risk. In addition, accounts receivable and at the end of 2010, compared to the 680 listed companies accounts receivable year-on-year growth, in a large proportion of 930 listed companies. Accounts receivable total year-on-year rise, directly affect the efficiency of the use of funds of listed companies. The 902 listed companies with comparable data of monetary fund at the end of 2011 totaled 13786. 49 billion Yuan, that is, the proportion of the cash and accounts receivable of listed companies reached 1.46:1.[3] If revenue decline in the quality, it will have a big impact on the performance of listed companies. On the one hand, many enterprises listed company payment in arrears phenomenon on the rise, on the other hand, other enterprises in arrears payment situation of listed companies at the same time also on the rise.

From the above situation, the listed company's accounts receivable and accounts payable were increased in 2011 and it can be found the financial constraints in the process of enterprise management have become the is relatively common and puzzled now.

2 Related analysis of accounts receivable in Chinese industrial enterprises

According to the survey of the relevant departments, the accounts receivable in Chinese industrial enterprises is over 52% of the current assets, far above the level of the developed countries. The default payment among industrial enterprises has been high in accounts receivable. In the developed countries, the amount of the accounts receivable of industrial enterprises often are not higher than 15% of the total. [4] But this kind of phenomenon is widespread in the current economic operation.

2.1 The causes of the formation of account receivable

Under the fierce market competition, European and American debt crisis and the financial crisis, industrial companies hold inventory, so that the product will exist metamorphism and depreciation risk. So companies tend to expand product sales in the actual operation by default payment for goods, and even cash discounts These actions inevitably lead to accounts receivable.

2.2 The beneficial effects of Accounts receivable

Accounts receivable is helpful to increase sales, enhance the competitiveness of the enterprises .[5]In the period of bank credit scale tension and market paralysis, enterprises take strategy of default payment for goods ,will receive a better promotion effect on promoting new products and opening new markets.

Accounts receivable helps reduce inventory and risk .If the enterprise has always been inventory, it can pay the insurance premium, storage costs and wages for warehouse management. Now if the sale is not timely, product value, will happen even the risk of product scrap.

Accounts receivable reduces cost and improves quality .Enterprises want to gain the initiative in product sales .Its products must be high value-added products. So the possibility of default payment for goods products was reduced. Enterprises can choose the high quality customer. Combined with the comparison, bad debt losses of industrial enterprise will be less.

2.3 The adverse effects of Accounts receivable

When enterprises are not timely recovery of due accounts receivable, they will produce bad debt. Accounts receivable of the enterprises exists, so that enterprises' image is damaged. When they loan, the bank will cut their credit rating and credit, causes the enterprises' financing costs rise. If it is very bad for business, enterprises go bankrupt because of insolvency.

Enterprise use too much default payment for goods to foreign sales, so that they will not only increase economic cost, also capital outflow and possession, reduce business profits.

3 current problems in the industrial enterprise receivables management

3.1 Laws and regulations on credit is not sound in China

Now in China, social credit system establish in the early stages. It's hard to control immoral behavior. Many industrial enterprises violate the credit and do not violate the law. They are not subject to the law, so that the phenomenon of account receivable is very common.

3.2 Internal related management system of enterprises is not perfect

In daily work, many enterprises have not established a complete and feasible measure on sales management, but they demand handling sales staff and departments have response for all accounts receivable. So a growing number of accounts receivable in industrial enterprises has brought a heavy burden. At the same time, the responsibility of the accounts receivable is not clear .For example, sales department and finance department has its own functions and duties.[6] When accounts receivable shall be investigated for responsibility of the enterprise, they do not want to bear with each other. When the credit risk increases, the delinquent accounts receivable will be more, and after a long time to collect payment in arrears, enterprise of bad debts rate gradually increase each year. As a result, the enterprise pressure is more and more bigger, so that accounts receivable brings to the enterprise business risk.

3.3 The workers have not a strong understanding of the accounts receivable risk

With the rapid development of society, the laws and regulations are gradually perfect. It is widely realized the importance of learning legal knowledge, but workers do not enough understand related personnel of legal knowledge, lack the necessary awareness and legal knowledge in the business. [7]In industrial enterprises,

salespeople of the sales department are not enough understanding of the risks of account receivable, lead to the lack of attention when they meet specific accounts receivable. Such enterprise culture let some employees trust customer easily, even make these employees do some false materials such as business license and tax registration certificate, and blindly take too wide default payment conditions, lead to not be able to timely recovery of the payment for goods.

3.4 Financial strength is weak and the accounts receivable tracking is not strong enough

In the practical work, a lot of finance departments do not provide the new business situation, or ignore the exercise of supervision function, cannot make full play the role of financial, and have a lack of regular analysis of bad debts for accounts receivable and audit supervision, adverse to the occurrence of bad debt disposition, on the analysis of the depth and breadth of account receivable is not enough, and no will be timely and accurate analysis results are passed to the relevant departments and management, so that enterprises have a large number of high risk of accounts receivable, thereby increasing the risk of enterprise management.

CONCLUSION

According to the existing problems of accounts receivable management in the industrial enterprises, this article mainly proceeds the three approaches to carry out some relevant analysis and solution.

4.1 Beforehand control management

Credit is a very important resource, also belong to a kind of intangible assets of enterprises, a high credit enterprises can with its good credit in actual operations. Because every time a company applies for loan to the bank, the bank borrowing will query on bank credit investigation system of the enterprise credit, whether the result as a important reference to the enterprise credit.

4.2 In-process control management

Implementation of internal audit in enterprise sales business mainly is the pin to the enterprise internal control system of perfect degree and the degree of execution of internal control system of audit. In practice is mainly on the sales and collect, in the sales link inspect the sales whether conform to the principle of position incompatible positions, authorization, the city group of default payment for goods and the examination and approval procedure is reasonable, whether delivery link closely, sales related data archives preservation, etc. Default payment for goods in collect link inspect the rationality of the amount of stock, whether the account receivable aging analysis, how often to check default payment amount and duration of payment in arrears, whether regular inspections. On a regular basis to do a good job of reconciliation, ensure the timeliness and correctness of creditor's rights .Aging analysis and collection of accounts receivable on a regular basis

4.3 Control management after the event

In financial management, strengthen the management of industrial enterprises accounts receivable has a very important role, so enterprise in the allocation of financial personnel, should choose to enterprise, experienced, familiar with financial knowledge, and willingness to have the staff to enterprise workflow to competent financial management position.

To default payment for goods from the quota approved start, to the smooth operation of the accounts receivable and recover default payment for goods to the customer for dynamic tracking, especially the core customers default payment for goods to establish customer credit files.

REFERENCE

- [1] Guoxin Liu. *Journal of economist*, **2012**, 4 (1) : 23-27.
- [2] He Guowu. *Journal of accounting research*, **2011**, 3 (22) : 32-35.
- [3] Jin Yanping. *Journal of finance academic edition*, **2011**, 6 (7) : 21 to 25.
- [4] Li Huiping. *Journal of guizhou university (social science edition)*, **2011**, 6 (2) : 51-56.
- [5] OuYangYingXi. *Modern economic information*, **2009**, 7 (23) : 20 to 25.
- [6] Ren Xiaoying. *Journal of accounting*, **2010**, 5 (4) : 16-20.
- [7] Xu jiao macro. *Journal of economic review*, **2008**, 5 (11) : 23-27