

Karrikor limited



In order to cope up with the problems of unpaid accounts it is vitally important that good system of customer risk management is established at the outset and the entire organization is tuned to comply with the requirements for an efficient management there of. It is possible to minimize the bad debts if there is an appreciation by the sales staff even at the point of obtaining the order that ensuring the prompt payment for the goods is an equally important part of the overall transaction.

1. 2 Conditions that can be added to the Standard Terms of Business for the Supply of Turbines:

In view of the increased business opportunities and also due to the fact that the amounts involved are large, Karrikor limited has to change its policy of supplying the Turbines on credit terms. Instead the company can insist on the payment of the total value in parts from the time the sales contract is entered into with the buyer till the time the delivery of the turbines takes place.

Delivery of the turbine can be effected at the premises of the company or at any other agreed location subject to the fulfillment of the payment conditions and the company receives the full value of the goods in settlement.

The buyer may be insisted to make the payment in three installments. The first payment of not less than 40 percent of the total value of the turbine is payable on placing the purchase order by the buyer. In fact it is better to receive the 40 percent payment as advance along with the purchase order from the buyer.

The second payment of another 30 percent of the total value of the turbine may be made by the buyer on presentation of the engineering drawings of the turbine and acceptance thereof by the buyer. The company will have to commence the actual manufacture of the turbine only on receipt of the second installment of the 30 percent of the order value.

The last and final payment of 30 percent shall have to be made by the buyer once the turbine is ready and the company has given intimation to the buyer in this respect. The goods have to be delivered to the buyer only on receipt of the final 30 percent of the total value of the turbine.

These conditions with respect to the settlement of the total value of the turbine in three installments may be incorporated in addition to the standard terms of business already existing.

It should also be remembered that the companies have limited liability which means that if the customer is a company that is unable to meet its obligations it is impossible to recover the money from the owners of the company irrespective of the fact that whether they are individuals or parent companies.

It is possible to ascertain the creditworthiness of a company from the financial position as depicted by its balance sheet. In very broad terms the company with more assets than the liabilities would be able to settle its dues without any problems.

In case the company has excess borrowings from the bank which are secured against the assets of the company, usually the bank borrowings will

be settled in priority and only if some assets are left after settling the bank other unsecured creditors will be settled.

In view of these situations it is important that the standard terms of business of Karrikor Limited incorporates terms that secure the payment for the goods supplied as well as the services rendered especially when the amounts involved are very high.