

Target corporation

Finance



Target Corporation Affiliation Article Analysis In a time when most companies and especially credit companies were avoiding loans due to the credit crisis, Target Corp. decided to go a different way. By strongly increasing the lending rates, the company went overboard of what many economists would call the expected. The increase was a cool 29% over that experienced a year earlier (Eavis, 2008). However, this growth in credit caused a considerable increase in the company's earning which made the whole plan seem like a risky prediction gone better.

From this article, a few points are worth noting. First, how does a company predict possible returns from credit? Target Corp. used credit lending as a form of ensuring there is return and profit from the credit. However, this happened at a time when there was an ongoing credit crisis. What comes out, therefore, is a possible scrutiny of the customers who were offered the credit that made the company so confident that there would be a return even if the general economic status was not friendly (Palepu & Healy, 2012). Second, is the issue of getting rid of credit defaulters in a corporation? For quite sometimes, the company has been engaged in a defaulter eradication process that has left Target dealing with only trusted clients with whom it was easy and safe to trust the credit.

The third point that comes out from the article is the credibility of the company's evaluation system that was able to predict returns on lending for a second time at a time when the credit market is in crisis. This reduced the losses because of client's payment problems as well as renegotiations of terms of receivable because of customer's difficulty. The fourth point to reflect on is the future of a risky process like this. Although Target showed considerably good profits from the process, there are concerns about the <https://assignbuster.com/target-corporation-essay-samples/>

company's sales, which have been on credit rather than on cash. When a company keeps adding on the bad-loans reserve, the losses are sure to catch up with the credit losses that will make the process unsustainable and lead to failure (Kieso, Weygandt & Warfield, 2011).

References

Eavis, P. (2008). Is Target Corp. s Credit Too Generous? The Wall Street Journal. March 11, 2008.

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Palepu, K. G., & Healy, P. M. (2012). Business analysis & valuation: Using financial statements : text and cases. Mason, Ohio: South-Western.