

In addition, this study also revealed the following generalisations :

- Information technology (IT) was not adequately utilised in credit control management of the three KLSE-listed respondent companies.
- Third-party debts collection agency was not used by the three KLSE-listed respondent companies.
- Factoring facility was not used by the three KLSE-listed respondent companies.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Summary and Conclusions

This study revealed that **all the three KLSE-listed respondent companies do not have formal debtors management and credit policy and procedures** based on the four core measurements discussed on the preceding sections. Adoption of formal debtors management and credit policy & procedures are vital as part of the organisation's management control.

In addition, all the three KLSE-listed respondent companies should :

- utilise more IT applications in their debtors management and credit control.
- use third-party debts collection agency to recover overdue debtors to the extent possible rather than exhausting own resources which might be scarce, counter-productive or do not have the necessary skills.

- utilise factoring facility when there is need to do so as an instrument of debtors management and to a larger extent, some form of security.

5.2 Suggestions for Additional Research

Owing to the limitations of this study, the extent of companies listed in KLSE of not having formal debtors management and credit control policy and procedures could not be quantified and it was believed that the figures are significant. It is proposed that a further detailed, extensive study and comprehensive survey covering much larger samples to be carried out.

Alternatively, it is proposed that an extensive study to be carried out on listed companies that are in certain sectors especially trading/service, consumer and industrial products where trade credit formed an essential element of the businesses.

The outcome of the study and the implications from the results of the study could be communicated to the relevant authorities for regulatory or policy reform in order to ensure that Malaysian companies are well-managed, resilient to internal and external factors and have strong fundamentals.

If companies are keen on attaining the ISO certification because of the perceived advantage of being an ISO company, then there is more reason to pursue into a formal written debtors management and credit control policy and

procedures, as this would ensure that the company remain healthy in term of cash flows at all times !

Studies on the use of credit search services, debts collection agencies and factoring services in Malaysia should be undertaken separately as only limited publications are available.

5.3 Implications on Debtors Management and Credit Control Practices in Malaysia and Recommendations

Based on the results of this study, all the three KLSE-listed companies should embark on formal debtors management and credit control policy and procedures to strengthen their debtors management. The long-term survival of a company would depend on profitability and sales collection. Collection is the ultimate form of selling. A sale is not a sale unless converted to cash ! A sample credit control procedure is shown in Appendix XIII.

All the respondent companies are recommended to takes the following immediate steps :

1. Setting-up a formal credit control department or division, whether as an independent set-up or for smaller set-up, a division within the Finance Department, so long as their functions are clearly stated.

2. To implement a formal written credit policy and procedures throughout the organisation to safeguard one of the largest asset of the company - the debtors, the lifeblood of every company.

3. To subscribe to credit search services as an essential part of credit checking, without which, credit risks would be difficult to be minimised, apart of present practice to perform trade checking and ROC search.

4. To implement formal credit documentation with proper, clear documentation to ensure all credit risks are well-monitored and controlled to the lowest possible risk.

The credit documentation, inter alia, would contain the following basic documentation with sample documents as attached in Appendix XIV :

- Application for Credit Account
- Letter of Guarantee / Corporate Guarantee / Bank Guarantee/LC
- Sales Staff Report
- Credit Search/Status Report
- Approval for Application of Credit Account
- Approval for temporary credit extension for over-limit or overdue customers
- Recommendation for changes/review in credit facilities

In the same token, Malaysian companies should more IT-based credit control features in their debtors management. Their debtors system that linked up to sales order processing should have adequate credit control features, e.g.

- Note pad facilities on accounts and transactions & diary facility
- Record and monitor promised amount
- Record and control of all post dated cheques
- Drill down to outstanding transactions
- Customer full payment history and analysis
- 'Stopped' accounts processing
- Analysis of non-payment and next-action codes
- Varying levels of authority & multiple credit controllers

In order to improve sales collection, Malaysian companies should continue to perform invoicing and issuing monthly statement of accounts at a very prompt manner. Factoring services could be considered as an alternative method of securing payments and debts collection agencies should be engaged to recover bad debts so as to minimise losses and maximise cash flow from collection.

The Securities Commission (SC) should perform adequacy review of the credit policy and procedures of companies that submit their application for listing. This review could be an integral part of the due diligence review or in the review of profit forecast.

Under-graduate and post-graduate courses in credit management should be emphasized as credit management is necessary for all companies and businesses. This subject ought to be an integral part of the compulsory courses to be taken especially by accountancy and business students.

Those companies who are wish to embark on ISO certification should also formalise their credit control policy and procedures at the same time despite not being required by ISO standards. The ISO governing body could consider to in incorporated credit management as part of the ISO standards in quality management in the future.

As the results from this study indicated that none of the respondents is aware of the Management Accounting Guideline No. 3 – Accounts Receivable Management issued by Malaysian Institute of Accountants (MIA), MIA should played a more effectively role in continuously updating its members on credit management and practices and accountants are the key personnel in credit management.

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