

Research on Accounts Receivable Management of Small and Medium-Sized Food Enterprises in China: Taking Suzhou Chaojie Company as an Example

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Abstract. The operation and development of small and medium-sized food enterprises in China can be regarded as a relatively stable existence. After all, no matter how the society develops, the first step for people is to solve the problem of eating. Even if restaurants are frequently shut down and deliveries are blocked, food companies should not face a crisis of survival. However, the main food condiment of the super Jie company sales decline in recent years is not very large, but the company has suffered substantial losses, and even faced the risk of bankruptcy. This paper mainly based on the food enterprise Chaojie company's accounts receivable status in recent years, firstly analyzed the company's accounts receivable scale, development trend and accounts receivable management status. Then analyze the causes of the bad situation of accounts receivable and put forward reasonable and legal countermeasures and specific suggestions. It is hoped that this paper can improve the daily management of accounts receivable of Chaojie Company and optimize the daily management structure of the enterprise. Finally, it is hoped that through the study of Chaojie Company, it can provide optimization suggestions for China's small and medium-sized food enterprises in the management of accounts receivable.

Keywords: accounts receivable; credit sales; risk control.

1. Introduction

Due to the impact of prepared dishes, the development situation of small and medium-sized food enterprises with good development momentum is not optimistic, and some are facing huge challenges involving survival. Therefore, in order to gain an advantage in competition and maintain growth, credit sales has become a common kind of sales method in daily business transactions in our country. In the current market under the background of economic downturn, enterprises borrow credit sales to expand sales scale and seize market share, increase industry competitiveness, in order to be able to develop and grow.

But most enterprises for the corresponding management is not in place. Therefore, food enterprises are more difficult to recover accounts receivable due to customer management problems, forming a lot of bad debts and bad debts, resulting in a difficult situation of capital turnover. Therefore, enterprises should pay special attention to the content of accounts receivable in the financial statements of each period, and strengthen the management of accounts receivable recovery.

To some extent, accounts receivable reflect the transaction cost of enterprises (Coase's transaction cost theory). If an enterprise's accounts receivable account for a relatively high proportion, then its working capital proportion will be relatively less, the corresponding capital turnover will be slow, transaction costs will also become higher. Therefore, small and medium-sized food enterprises in our country, on the premise of giving full play to the advantage of credit sales, should establish and perfect the accounts receivable management system to ensure the safety of fund recovery.

Based on the financial statements of Chaojie Company from 2021 to 20233, this paper finds out the problems in the accounts receivable management mode and analyzes and seeks reasonable solutions according to the accounts receivable balance, proportion, aging and main management methods. The main purpose of this paper is to establish a complete set of accounts receivable management system, which can make full use of enterprise resources and improve capital liquidity, but also can strengthen

the internal control of enterprises. Provide optimization suggestions to the management of the company, maintain good relations with customers, speed up the recovery of accounts receivable, and reduce operational and financial risks as much as possible.

2. Chaojie company profile and accounts receivable scale, management status

2.1. Brief introduction to the basic situation of Chaojie Company

Suzhou Chaojie Food Co., LTD., registered in Wujiang Economic and Technological Development Zone, Zhongshan North Road No. 2558 (Huagang Business Zone A District 5), was established in 2012, the legal representative is Lu Renchao. The main business scope is daily condiment sales. In terms of daily operation, it is also directly managed by Lu Renchao.

In the commercial claims of enterprises, because the customers are mainly small and medium-sized enterprises, the number of transactions using notes receivable in the past transactions accounts for a small proportion of commercial claims of enterprises. In daily operation, the share of notes receivable belongs to the capital occupation formed by the default of the enterprise to promote sales, so the overdue notes receivable are not analyzed in this paper because the proportion is too small. For overdue notes receivable, in order to simplify the processing of enterprise accounting, it is divided into accounts receivable when overdue. The fact that Chaojie Company formed a large loss in 2023 is that a large number of accounts receivable formed bad debt losses, so the following is mainly to study the situation of accounts receivable in Chaojie Company's commercial claims.

2.2. Current situation of accounts receivable

2.2.1. Account receivable scale analysis

The net book value of Chaojie's accounts receivable has shown different trends in the past three years. The annual growth rates of accounts receivable were -9.78%, 50.01% and -54.33%, respectively. Before 2019, the company actively relaxed the credit policy for customers to expand the scale, and accounts receivable almost increased year-on-year. It can be seen that although the company's main business income has increased in 2021, there is still a gap with the growth rate of accounts receivable. The sharp decline in the growth rate of accounts receivable in 2023 is due to the completion of some projects, the recovery of some funds during the guarantee period, and bad debts caused by the operating difficulties of some customers due to the impact of the epidemic. If Chaojie wants to increase its market share, it will certainly relax its sales credit policy, which will increase its receivables. However, if the increase of accounts receivable is not recovered in time, although the operating profit increases in the short term, it will increase the amount of bad debts to a certain extent.

Through the investigation of the daily operation of Chaojie Company, accounts receivable is an important part of current assets, and whether the timely recovery of accounts receivable is related to the daily operation of enterprises. It can be seen from the survey that the proportion of accounts receivable in current assets has gradually increased in the previous two years, and at the same time, the main business income has also increased correspondingly. This shows that enterprises are gradually increasing credit sales to increase sales. But the problem will become apparent in 2023. The sales revenue of enterprises fell off the cliff, and at the same time, the proportion of accounts receivable in current assets increased rapidly from 11.48% to 25.58%, making the business risk of enterprises increase rapidly. If these receivables cannot be recovered in time, not to mention the enterprise can seize market share in adversity, but the bad debt losses caused by these receivables will have an adverse impact on the normal operating capital of the company's entire business and affect the normal operation of the enterprise.

2.2.2. Analysis of accounts receivable financial index

According to the data analysis of Zhongmacro industry database, in 2023, the average level of accounts receivable of small and medium-sized enterprises in China's food industry accounted for 70%

of business income. It can be seen from the survey that in the past three years, the proportion of accounts receivable in the business income of Chaojie Company has maintained a high level, and will reach its peak in 2022, accounting for about 80%, exceeding the average level in the same industry. This reflects that most of the increase in profits caused by Super Jie is actually an increase in accounts receivable, rather than cash inflow, which reflects that Super Jie's profits have been inflated.

Although the proportion of accounts receivable balance in sales revenue at the end of 2023 decreased from 83.21% in 2022 to 54.83%, the proportion of accounts receivable balance in total assets has been increasing, which can be clearly seen in Figure 2 from 7.43% in 2021 to 17.95% in 2023. According to $\text{assets} = \text{liabilities} + \text{owner's equity}$, most of the remaining assets of the enterprise in 2023 after deducting liabilities and fixed assets depend on whether the accounts receivable can be recovered. If it cannot be recovered, the 2023 financial report looks like a substantial loss, but it is still inflated. It will have a great adverse impact on the normal operation of the enterprise, and the management is easy to make wrong judgments because of the falsely high profit.

According to the author's research, because the company's partners are mostly small enterprises, a large number of receivables within a year are only written accounts, and bills receivable have not been formed. In addition, these receivables are less likely to be recovered due to the impact of the epidemic, and in fact, they cannot be determined as daily business income (one of the conditions for revenue recognition is that the economic benefits related to them are likely to flow into the enterprise). This will not only bring false operating profits to the company, but also make the company's operating capital shortage and slow down the payment speed.

3. Problems in the management of accounts receivable

The pre-management of accounts receivable of Chaojie Company is simple and easy to be handled in accordance with regulations, which makes the company's accounts receivable risk increase. When the company is ready to sign the contract, the sales staff should conduct a real-time investigation of the customer's credit and business status, which is used as the basis for signing the contract. However, many sales staff sign contracts directly without investigating for performance and subsequent superiors do not verify them. Originally, the settlement method of most transactions should be paid first and then transported goods controls the payment progress of customers, ensuring that the company can receive all or most of the payment before delivery, and there are also a few cases of shipping products to high-quality customers first and then asking for the payment. But many clients over time, gradually began to play the emotional card in this area. Enterprises also look at the long-term cooperation, but also acquiesce to the requirements of customers. Regardless, the above method does have its merits and can ensure the growth of enterprise sales to a certain extent. However, through analysis, it is understood that the irregular and unreasonable accounts receivable management system of Chaojie Company has led to poor quality of accounts receivable in recent years, and there is also some distance from the level of accounts receivable of surrounding enterprises in the same industry. It is fully proved that the policies of the accounts receivable management system of enterprises are indeed inappropriate.

Chaojie company usually only values the sales volume and does not specifically collect and classify the customer information obtained by the sales staff. The customer information is scattered, and there is no special electronic archive to retain the customer information and provide it to the subsequent sales staff. Salespeople like to hold most of the customer information in their own hands to ensure performance, and there is a phenomenon of private customer information. The sales staff is afraid of going to the same industry without resources after leaving the company and is not willing to hand over these customer information completely when leaving the company, taking away most of the customer information. These practices have caused indirect economic losses to the company and caused great risks to the continuous operation of the enterprise. In addition, the company does not investigate the recent complete information of the customer only through the subjective judgment of

the sales staff, and cannot do a good control of whether the customer can pay. If a customer is weak due to recent market changes, but there are private transactions between the sales staff and the customer, the company is likely to fail to collect in time because of the subjective judgment of the sales staff. Bad debts are likely to arise if the customer is in trouble. For example, in 2020, due to the factors of the epidemic, large-scale accounts receivable cannot be recovered, and enterprises are still open to credit sales, leaving great financial and operational risks.

According to the current situation of receivables management of Chaojie Company, customers should be evaluated in all aspects of credit according to their recent scale, operation, financial status and previous credit status. Even if many sales staff get the customer credit information, but the lack of a special credit evaluation level, cannot make a judgment, and even feel that the credit file is unnecessary. In the long run, the sales staff still cannot realize the harm of customers with weak credit to the enterprise, or blindly pursue sales.

Chaojie company mainly focuses on sales volume, and in terms of staff allocation in the transaction link, it is mainly sales employees on the first line. In terms of salary, in addition to the basic base salary, the salary of the sales staff of Super Jie company mainly depends on the commission linked to the transaction amount each month. The higher the number of deals they make each month, the more bonus credits they get. As a result, salespeople focus on signing orders for high commissions and increase their reliance on credit sales. Normally, the company will receive payment and recognize revenue after the goods are delivered, but some veteran employees will find a relationship to weaken the company's contract review. This internal corruption not only eases the signing process and payment ratio, but also secretly delays the delivery of the payment and helps to cope with the company's demand for accounts receivable, resulting in highly irregular contract procedures. The abnormal signing of the contract will lead to the delay of payment or even non-payment in the subsequent payment process due to the imperfect contract procedures and unclear contents. These irregular operations will lead to the accumulation of accounts receivable, which may lead to a large number of accounts receivable overdue or even bad debts, affecting the normal development of the company. And in 2020, when the epidemic broke out, it gave enterprises a heavy blow, making enterprise assets shrink significantly.

In the process of studying the accounts receivable of Chaojie Company, it is found that the enterprise lacks relevant accounts receivable management department, and the enterprise does not have regular reconciliation procedures with customers and the time interval between reconciliation with customers is very long. This is not conducive to the timely and complete recovery of funds. Once effective legal means are not exercised within the time limit (generally two years), there is a high probability that legal means cannot be used to recover the accounts after two years, resulting in the loss of initiative in the receivables of Super Jie Company, which leads to a large number of bad debts.

In the past three years, the company's accounts receivable are too large, the turnaround time is too long, and the customer has not paid for a long time. Although super Jie company has also taken some measures, but the effect of accounts receivable recovery is not very good. Some clients are still late in paying their debts beyond the period stipulated in the contract. Enterprises generally appoint specialists to call to ask, but the effect is not good. For the situation where the payment is still not repaid and the attitude is tough after repeated communication, the enterprise should adopt the tough means of legal proceedings to solve it. However, if the use of legal means, the relevant personnel of the enterprise will spend a lot of time, and a case is less than half a year or more. The cost of relevant personnel will also increase, and the related costs such as legal fees are also high, and the cost of rights protection is too high. In addition, if a large number of legal proceedings are used, the sales of enterprises will be affected, which is equivalent to transferring customer resources to rival companies, which is not conducive to enterprises' market possession. In the case of insufficient working capital, enterprises have to find ways to raise funds through various ways, which will undoubtedly increase the financing cost of enterprises and increase the financial risk of enterprises. Chaojie company is in a difficult period affected by the epidemic, and needs enough funds to ensure the normal operation of

the enterprise, rather than to expand sales and exchange a lot of accounts receivable that can not be clearly recovered.

In fact, Chaojie Company has set up a project department which is mainly responsible for signing contracts, following up projects and collecting accounts. However, since the enterprise's evaluation of the performance of the project department is not linked to the accounts receivable recovery index, the employees of the project department are not very concerned about their work, and they just follow the company's procedures step by step. Therefore, the staff of the project department only signed the contract according to the contract modified by the sales staff, and signed the contract after checking that there were no major problems. On the one hand, the project department should maintain a good relationship with the sales staff in the company, so that they can obtain the corresponding contract signing performance; On the other hand, because the workload problem is more than one thing, the credit problems of cooperative customers will not be in-depth or on-site inspection.

4. Summary

In order to make the study of Chaojie Company's accounts receivable in-depth and meaningful, before analyzing its financial data, the research results at home and abroad were studied. Then combined with the relevant financial data of Chaojie Company, the current situation and existing problems of its accounts receivable management are analyzed. Finally, suggestions for improvement are put forward according to the knowledge learned. The following conclusions are drawn:

Through the analysis of Chaojie's accounts receivable and related financial indicators from 2021 to 2023, it can be easily seen that the growth rate of main business income is smaller than that of accounts receivable, and the turnover days of accounts receivable are also higher than the industry average. Not only that, accounts receivable in the enterprise's main business income and current assets also accounted for a considerable proportion.

After analyzing the management status of Chaojie Company, the existing problems are found: functional defects of the company's accounts receivable management department and incomplete customer credit system; There are no strict rules for the signing of contracts. Lack of effective receivables collection methods and performance evaluation system.

In view of the problems existing in the daily management of accounts receivable of Chaojie Company, the following suggestions are put forward: improve customer credit files and the setting of relevant departments; Control sales staff to sign authority in daily contracts, and conduct reconciliation with customers on time; Flexible choice of accounts receivable management and collection methods; Improve the performance evaluation indicators related to accounts receivable account management, optimize the performance appraisal system; Reasonable transfer of accounts receivable risk.

Finally, through the analysis of the accounts receivable management situation of Chaojie company, the rationalization of the method of credit sales of small and medium-sized food enterprises in our country is proposed. Food enterprises in the pursuit of high profits at the same time, to always pay attention to the adverse effects of accounts receivable, and through a reasonable way to solve, so that the long-term operation of the enterprise..

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