

Advanced Diploma in Credit Management

Subject: Financial Credit Management and Reporting

Mr. Alwis and Mr. Kamal are good friends and engaged in a partnership business of buying and selling coconut in Kuliyaipitiya. The name of the partnership business is AK Trading.

After starting an export business of coir products, the new business registered as AK Coir Ltd.

Both companies are operating their current accounts with XYZ bank where you work as the credit manager.

They engaged in purchasing coconut with the shell directly from Estates and sell wholesale on cash basis. After removing the coconut shell, they use that to export as a coir product to United Kingdom.

With the high demand for coconuts and coir products both companies decided to obtain credit facilities to strengthen the business.

Average purchasing of coconuts by AK Trading is around 1,250,000/- per month. They have their owned lorry to transport coconuts. They keep a margin of Rs.15/- from the coconut business.

AK Coir Ltd has a big demand for coir products in UK and they want to enhance their export business soon. Average Export turnover is around USD2500/- per month which has a net profit margin of 30% of the export bill value.

Last month income/ expenditure details as follows.

Total Purchasing of Coconuts with shells – Rs.1,300,000/- (32,500 coconuts)

Total income from selling coconuts – Rs.1,650,000/- (30,000 coconuts)

Labour charges – Rs.150,000/-

Fuel expenses – Rs.28,000/-

Salary – Rs.90,000/-

Coir Products processing charges – Rs.200,000/-

Export income – USD2700.00

Export charges – Rs.75,000/-

01. AK Trading in a requirement of Rs,1,000,000/- to purchase additional stock of coconuts. Please explain how you assist them to full fill this requirement. You need to calculate the net income of AK trading for the previous month.
02. They are willing to offer the residential property of Mr. Alwis as the security for the facility which is situated in Kuliypitiya city limit. Market value is around Rs.3.5Mn with the house. Explain your proposal to consider the said property as a security for this facility.
03. As an experience credit officer explain the main areas to be checked when you evaluate this credit facility.
04. ABC Company is purchasing coir products in UK. Their bank is British Bank. Briefly explain Export process until XYZ bank credit export proceeds to AK Coir Ltd. Current account. You need to Calculate the net income of AK coir Ltd as per the previous month financials.
05. All the exports are done through export Letter of Credit at sight terms. If AK Coir Ltd request for a credit facility to support to the export business what type of facility you recommend to grant. Their requirement is Rs.750,000/-.
06. How do you arrange the same property of Mr. Alwis as a security for this facility too?
07. Please list out 5 risk points identified by you in this business.
08. If AK Coir Ltd wants to purchase a registered motor lorry for transport purpose. Explain the process of arranging a leasing facility.
09. The accountant of AK Coir Ltd is requesting a credit facility from your bank to purchase a laptop which is worth around Rs.150,000/-. How do you arrange this facility?
10. Mr. Kamal's CRIB report shows Rs.225,000/- written off leasing facility 4 years ago. How does this effect to your decision of granting all these facilities?