**ACCOUNTS RECEIVABLES**

**In**

**STOCK HOLDING CORPORATION OF INDIA LTD.**

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**Abstract:**

Accounting is a profession used to make financial and business decisions. Billions of dollars exchange hands every day, in millions of separate business transactions. These are recorded and reported on using a comprehensive set of guidelines, referred to as Generally Accepted Accounting Principles (GAAP).

Accounting: The bookkeeping methods involved in making a financial record of business transactions and in the preparation of statements concerning the assets, liabilities, and operating results of a business.

System: A group of interacting, interrelated, or interdependent elements forming a complex whole.

Accounting System: The people, procedures, and resources used to gather, record, classify, summarize and report the financial information of a business, government or other financial entity.

Double-entry bookkeeping: The practice of recording a business transaction in two equal parts, called debit and credit entries. Debit refers to the left column and credit refers to the right column, in an accounting journal.

**Keywords:** Accounts Receivables, Proposed Tools.

**INTRODUCTION:**

Accounts receivable (AR) is the balance of money due to a firm for goods or services delivered or used but not yet paid for by customers. Accounts receivable is listed on the balance sheet as a current asset. Accounts receivable refer to the outstanding invoices that a company has or the money that clients owe the company. The phrase refers to accounts that a business has the right to receive because it has delivered a product or service. Accounts receivable, or receivables, represent a line of credit extended by a company and normally have terms that require payments due within a relatively short period. It typically ranges from a few days to a fiscal or calendar year. Companies record accounts receivable as assets on their balance sheets because there is a legal obligation for the customer to pay the debt. They are considered liquid assets because they can be used as collateral to secure a loan to help meet short-term obligations. Receivables are part of a company’s working capital. Furthermore, accounts receivable are current assets, meaning that the account balance is due from the debtor in one year or less. If a company has receivables, this means that it has made a sale on credit but has yet to collect the money from the purchaser. Essentially, the company has accepted a short-term IOU from its client.

## What Accounts Receivable Can Tell You

Accounts receivable are an important aspect of a business’s fundamental analysis. Accounts receivable is a current asset, so it measures a company’s liquidity or ability to cover short-term obligations without additional cash flows.  Fundamental analysts often evaluate accounts receivable in the context of turnover, also known as the accounts receivable turnover ratio, which measures the number of times a company has collected its accounts receivable balance during an accounting period. Further analysis would include assessing days sales outstanding (DSO), the average number of days that it takes to collect payment after a sale has been made.



**REVIEW OF LITERATURE:**

**ARTICLE: 1**

**Tile:** Accounts Receivable Management Policy: Theory and Evidence

**Author:** Shehzad Mian

**Source:** **The Journal of Finance 47(1):169-200**

**Abstract:**

This paper develops and tests hypotheses that explain the choice of accounts receivable management policies. The tests focus on both cross-sectional explanations of policy-choice determinants, as well as incentives to establish captives. The authors find size, concentration, and credit standing of the firm's traded debt and commercial paper are each important in explaining the use of factoring, accounts receivable secured debt, captive finance subsidiaries, and general corporate credit. They also offer evidence that captive formation allows more flexible financial contracting. However, the authors find no evidence that captive formation expropriates bondholder wealth. Copyright 1992 by American Finance Association.’

**ARTICLE: 2**

**Tile:** Accounts Receivable Management and Organizational Profitability

**Author:** Francis Kakeeto

**Source: IOSR Journal of Economics and Finance (IOSR-JEF) Abstract:**

This study sought to explore the effect of Accounts Receivable Management on Organizational Profitability, by testing the hypothesis: Accounts Receivable Management has a significant positive effect on organizational profitability. Using a descriptive research design and a case study strategy, sample size of 181 was taken from the population of 345 staff. Likert type scale questionnaires were used to collect data from the respondents in terms of the two variables. The findings revealed that revealed that accounts receivable management positively affected organizational profitability (adjusted R 2 =0.90; p<.01), thus the hypothesis was accepted. The study concluded that, accounts receivable management as practiced by GCCE was adequate. Recommendations were made to better enhance accounts receivable management in GCCE.

**ARTICLE: 3**

**Tile:** International Journal of Business and Tehnopreneurship

**Author:** Joseph Olawale Odeleye (BA, ASM, CFA

**Source:** **Abeokuta Ogun State Nigeria**

**Abstract:**

Accounts receivables of a business organization are created in two major ways. On one hand, the firm may advance payments to the suppliers of inventories to ensure timely supply, especially when the supplier hold a monopolistic position or when materials are in short supply or a firm desiring to develop a captive supply base

or for short term financial and profitability considerations. On the other hand accounts receivables are created by a firm selling its output on credit, popularly termed as sundry debtors. Trade credit influences preferences of both sellers and the customers. The functions of accounts receivables‟ management are intended to set out credit

terms, selection of credit worth customers, installing an appropriate collection and monitoring system and financing the receivables for maximizing the firm‟s value (Bhattacharya, 2006). According to Preve and Sarria- Allende (2010) firms invest in financing clients when their core business is not related to lending money or providing financial services because of various reasons.

observe customers‟ orders, and payments, among others

**SEARCH GAP:**

This project develops and tests hypotheses that explain the choice of accounts receivable management policies. The tests focus on both cross-sectional explanations of policy-choice determinants, as well as incentives to establish captives.

**OBJECTIVES:**

* To understand the working of the organization.
* To study and analyze the Depository Participant industry in India.
* To understand each & every product/service offered by SHCIL and its trading procedures.
* To find out the causes for non-payment and to know the various ways available for collection of the bills.
* To analyze the debt pattern and suggest strategies that will help SHCIL reduce its huge debt burden.
* To study the receivables management technique of the company

**RESEARCH METHODOLOGY:**

**Need For the Study**

In a competitive environment sometimes the firms are compelled and sometimes the firms desire to adopt liberal credit policies for pushing up the sales and the factoring has been done. So a careful analysis of various aspects of the credit policy is required. That is why “Appraisal of Receivable Management” is done.

**Scope Of the Study:**

* Introduction to depository industry & depository system
* Company profile of SHCIL.
* Study on the receivables position of the company.
* Findings of the study.
* Suggestions and conclusions.
* Additional information through annexure.

**DATA ANALYSIS & INTERPRETATION:**

**ANALYSIS OF RECEIVABLES**

|  |
| --- |
| **AGEING ANALYSIS AS ON 31ST MARCH 2022** |
| **Location** | **>2years** | **<2>1yr** | **<1yr>6mth** | **<6mth** | **Total** |
| **BNG** | 568013.53 | 689754.71 | 1159239.00 | 1980832.00 | 4397839.24 |
| **MYS** | 2430.79 | 139252.00 | 214009.00 | 262655.00 | 618346.79 |
| **DAV** | 3569.44 | 62069.90 | 88273.00 | 204690.00 | 358603.00 |
| **SHI** | 2016.80 | 70762.80 | 98927.90 | 182371.00 | 354075.00 |
| **HBL** | 69358.67 | 191260.00 | 496977.00 | 942025.00 | 1699620.67 |
| **BEL** | 0.00 | 110688.00 | 192283.00 | 289027.00 | 591998.00 |
| **GUL** | 0.00 | 80786.00 | 140761.00 | 181579.00 | 403126.00 |
| **MNG** | 43245.60 | 133752.00 | 276267.00 | 685055.00 | 1138320.00 |
| **UDI** | 400.24 | 126599.00 | 190884.00 | 388410.00 | 706293.20 |
| **TOTAL** | 689035.07 | 1604924.41 | 2857620.90 | 5116644.00 | 10268221.90 |

**The following table shows the outstanding receivables of Karnataka Zone as on 31st March, 2023**

|  |
| --- |
| **AGEING ANALYSIS AS ON 31ST MARCH 2023** |
| **Location** | **>2years** | **<2>1yr** | **<1yr>6mth** | **<6mth** | **Total** |
| **BNG** | 505097.00 | 604979.00 | 623142.00 | 2585008.00 | 4318225.00 |
| **MYS** | 52574.80 | 99291.60 | 115409.00 | 352497.00 | 619772.40 |
| **DAV** | 25915.70 | 78082.20 | 74812.20 | 216700.00 | 395510.10 |
| **SHI** | 33302.70 | 74026.70 | 84862.90 | 249172.00 | 441364.30 |
| **HBL** | 112487.00 | 306350.00 | 318913.00 | 1101979.00 | 1839729.00 |
| **BEL** | 36394.20 | 93502.60 | 127989.00 | 401162.00 | 659047.80 |
| **GUL** | 38088.70 | 77880.50 | 75342.20 | 235631.00 | 426942.40 |
| **MNG** | 56455.08 | 138640.34 | 180050.98 | 923830.65 | 1298977.05 |
| **UDI** | 54723.80 | 101965.00 | 125331.00 | 575744.00 | 857765.00 |
| **TOTAL** | 915038.98 | 1574717.94 | 1725852.28 | 6641723.65 | 10857333.05 |

**AGEING ANALYSIS – BANGALORE:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Bangalore** | **>2years** | **<2>1yr** | **<1yr>6mth** | **<6mth** | **Total** |
| As on 31/03/2022 | 568013.53 | 689754.71 | 1159239 | 1980832 | 4397839.24 |
| As on 31/03/2023 | 505097 | 604979 | 623142 | 2585008 | 4318225 |

**INTERPRETATION:**

The ageing analysis of Bangalore shows good collection efforts however the area of grave concern happens to be happens to be the outstanding amount falling in the less than 6mths category which has been continually on a rise and may lead to bad debts as well as increased interest charges in the long run .Collection efforts need to be strengthened in order to reduce the amount of receivables and release the large amount of funds locked up in receivables and therefore prove to be a source of revenue generation for this center.

**CONCLUSION**

SHCIL being the largest depository Participant in the country, holding nearly eight lakh accounts and more than 50% of the market share is a pioneer in its field. It has been the leader in developing innovative and customer-friendly products & services which suit to the present customer needs and are very cost-efficient too. The company is marching ahead in its path to progress and is effectively achieving its objective/mission. Its innovative use of IT has won accords internationally. The company analysis shows that the corporation is on the top in every criterion with a few but small exceptions. The receivables management aim is to attract new customers as well as retain old customers, so that they will increase their turnover and associated profit. The receivables department at SHCIL has evolved excellent methods to encase their funds at the lowest cost & at the fastest speed. It is clearly evident from the figures of the previous years that the amount due every year have been reducing to a large extent. The credit for all this goes to the people of the receivables department and the heads who are continuously striving to achieve a better tomorrow. With the use of advanced technology and better receivables management practices, the company is sure to minimize its investment in receivables and thus maximizing the overall profit of the organizations.

**REFERENCES:**

1. www.Bhel.com
2. www.moneycontrol.com
3. www.googlefinance.com