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Accounts Receivable and Credit Policy in Receivables Management

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Lisbon (Portugal)



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Introduction

Accounts receivable and credit policy are essential components of working capital and cash flow management within organizations. The process begins with evaluating customers and establishing credit sales terms, continues through invoicing and due-date monitoring, and ends with payment collection or the management of delays, disputes, and related credit risks.

Generating sales alone is not enough to maintain financial stability if those sales are not converted into cash within the agreed period. Unclear credit policies, weak customer follow-up, invoicing errors, or the absence of defined escalation procedures can lead to increasing overdue balances, higher default exposure, and greater credit losses.

The Accounts Receivable and Credit Policy in Receivables Management course is designed to provide participants with a practical methodology for managing the credit and collection cycle. The course covers creditworthiness assessment, the establishment of credit limits and payment terms, customer file management, invoicing, receivables aging analysis, collection prioritization, dispute resolution, and the treatment of delinquent accounts.

The course also examines key accounts receivable performance indicators, including Days Sales Outstanding, overdue debt ratios, collection rates, dispute ratios, and risk concentration by customer and sector. These measures support more accurate cash flow forecasting and more balanced credit decisions.

The course is intended for credit and collection managers, accountants, accounts receivable officers, financial controllers, treasury professionals, credit analysts, sales teams, and customer service teams. It is also suitable for managers and team leaders involved in credit approval or the monitoring of revenue, liquidity, and financial risk.

Course Objectives

The Accounts Receivable and Credit Policy in Receivables Management course aims to develop participants' ability to manage credit and collections in an organized manner that supports liquidity and limits risk. By the end of the course, participants will be able to:



- Understand the role of accounts receivable in working capital and cash flow management.
- Analyze the receivables cycle from customer order to final collection.
- Design a credit policy aligned with organizational objectives and acceptable risk levels.
- Assess customer creditworthiness using available financial and commercial information.
- Establish credit limits, payment terms, approval procedures, and exception controls.
- Classify customers according to risk level and payment behavior.
- Organize customer files, supporting documents, contracts, and credit guarantees.
- Review invoices and verify data completeness before issuance.
- Prepare and analyze accounts receivable aging reports.
- Prioritize collection efforts according to debt value, age, and default probability.
- Use performance indicators to measure collection efficiency and credit portfolio quality.
- Resolve disputes related to invoices, prices, quantities, and contractual terms.
- Apply escalation procedures to overdue and delinquent accounts.
- Estimate expected credit losses and related receivables provisions.
- Develop a practical plan to improve credit and collection management within the organization.

Course Outlines

Day One: The Accounts Receivable Cycle and Customer Data Management

- Understand the role of receivables in financial performance and working capital.
- Analyze the stages of credit sales from customer order to collection.
- Define the responsibilities of sales, finance, customer service, credit, and collection teams.
- Establish customer files and document contracts, guarantees, and payment terms.
- Record invoices, receipts, debit notes, and credit notes.
- Reconcile customer accounts with subsidiary records.
- Complete an exercise reviewing a customer account cycle and identifying control weaknesses.

Day Two: Credit Policy Design and Customer Assessment

- Define the objectives of credit policy and its relationship with sales, liquidity, and risk.
- Collect and analyze financial and commercial information about customers.
- Apply customer creditworthiness assessment criteria.
- Establish risk ratings, credit limits, and payment terms.
- Design approval authorities, authorization levels, and exception procedures.
- Review credit periodically and connect decisions with changes in customer behavior.
- Complete a practical case involving customer assessment and credit decision-making.



Day Three: Invoicing, Collection, and Receivables Aging Management

- Review invoicing procedures and ensure invoice accuracy and completeness.
- Organize due-date schedules, reminders, and follow-up communications.
- Prepare receivables aging reports and classify balances by overdue period.
- Prioritize collection activities according to value, risk, and due date.
- Develop customer communication methods and document promises to pay.
- Process partial payments, settlements, and approved discounts.
- Complete an exercise involving the preparation of a collection plan for a customer portfolio.

Day Four: Disputes, Delinquency, and Credit Losses

- Identify the causes of disputes related to invoices, contracts, and delivery.
- Establish a process for recording, monitoring, and closing disputes.
- Distinguish among administrative delay, financial distress, and unwillingness to pay.
- Apply internal escalation, negotiation, and payment restructuring procedures.
- Assess the need for additional guarantees or suspension of credit.
- Estimate provisions and expected credit losses.
- Prepare a treatment plan for overdue and delinquent accounts.

Day Five: Performance Indicators, Reporting, and Improvement Planning

- Identify key performance indicators for accounts receivable management.
- Calculate Days Sales Outstanding, receivables turnover, and overdue debt ratios.
- Analyze portfolio trends and risk concentration by customer.
- Prepare management reports and collection and credit dashboards.
- Develop cash flow forecasts based on expected collection dates.
- Complete a final case study covering credit, invoicing, collection, and delinquency.
- Prepare an improvement plan covering priorities, responsibilities, and timelines.

Why Attend this Course: Wins & Losses!

- Develop a comprehensive understanding of the accounts receivable cycle and receivables management.
- Improve the quality of customer credit decisions.
- Reduce the risk of late payment, default, and credit losses.
- Improve collection speed and support stronger cash flow.
- Increase invoice accuracy and reduce invoice-related disputes.
- Improve receivables aging analysis and collection prioritization.
- Strengthen coordination among sales, finance, and customer service.
- Develop clear reports that support management and decision-makers.
- Improve the monitoring of payment promises and escalation actions.
- Gain practical tools for managing different types of credit portfolios.



Conclusion

Accounts receivable and credit policy in receivables management combine accounting, financial, commercial, and control responsibilities. Effective receivables management begins before an invoice is issued through customer assessment, the establishment of credit terms and limits, and the selection of appropriate guarantees. It then continues through accurate invoicing, structured follow-up, collection, and the management of disputes and late payment.

The course explains that the quality of accounts receivable depends on complete data, valid documentation, and clear responsibilities. A clear contract, approved purchase order, proof of delivery, and accurate invoice reduce the likelihood of disputes and improve the probability of timely collection. Regular reconciliations also help identify differences and unresolved balances before they accumulate.

The course addresses the development of a credit policy that balances sales support with liquidity protection. Strict credit controls do not always eliminate risk, just as broader credit access does not necessarily generate sustainable sales. Credit decisions should therefore be based on creditworthiness, payment history, transaction size, guarantees, and the financial and commercial circumstances of the customer.

The course also focuses on receivables aging analysis as a core tool for assessing portfolio quality and setting collection priorities. Aging analysis shows the value of current and overdue balances, identifies accounts requiring early intervention, and tracks the movement of balances from one aging category to another. This information should be connected with collection plans and cash flow forecasts.

Effective collection does not depend only on repeated communication. It requires a clear process that includes early reminders, communication records, confirmation of payment promises, escalation procedures, and the resolution of issues preventing payment. It is also necessary to distinguish among genuine disputes, inability to pay, and deliberate delay.

The course examines delinquent accounts and the options available for managing them, including restructuring payment terms, obtaining additional guarantees, suspending credit, or referring the account to the appropriate internal or external parties. These actions should be taken in accordance with approved authorities, policies, and contractual terms, while considering cost, benefit, and collection probability.

Performance indicators provide an objective basis for measuring receivables management efficiency. These indicators include Days Sales Outstanding, receivables turnover, overdue debt ratios, dispute ratios, promise-to-pay compliance, and collection rates against due balances. Their value is not limited to reporting performance. They also help identify problems and guide corrective action.

By the end of the course, participants will have a practical framework for managing customers, credit, invoicing, collection, and risk. This framework helps organizations improve liquidity, reduce overdue debt, enhance information quality, strengthen internal coordination, and make more balanced credit decisions.

