

Internship Report

on

EFFECTIVENESS OF CREDIT POLICY OF LINDE BANGLADESH LIMITED

Submitted To

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Letter of Transmittal

February, 2015

Mr. Saif Hossain

Lecturer

Brac University Dhaka, Bangladesh

Subject: Letter of Transmittal

Dear Sir,

Attached please find the internship report entitled 'Effectiveness of Credit Policy of Linde Bangladesh Limited' I have done my internship in Linde Bangladesh Limited during three months attachment period.

This report has been submitted in partial fulfillment of the requirements for the degree of Master of Business Administration (MBA), Major in Finance, Faculty of Business Administration. I hope the report meets your expectation. I will be glad to answer any queries regarding the study and report..

Yours Sincerely,

.....

Tasmia Ahamed

ID: 12364050

Acknowledgment

I would like to thank almighty Allah for giving me the opportunity to complete my internship report. I also want to thank all the people who have given their support and assistance and extremely grateful to all of them for the completion of the report successfully. Brac University and Linde Bangladesh Ltd. both provided me with enormous support and guidance for my report to be completed successfully.

I would also like to thank my internship supervisor Mr. saif Hossain, for his kind concern, valuable time, advice and constant guideline in preparing the report. I would like to thank Mr. Razib Khan, Financial Controller, Linde Bangladesh Ltd for his support in preparing the internship report & providing me relevant data for the report.

I would like to express my foremost gratitude to other officials of Linde Bangladesh Ltd who helped me and gave me their valuable time, providing me with the most relevant information on the basis of which I have prepared this report.

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Chapter 1

Introduction

Credit management is a term used to identify accounting functions usually conducted under the umbrella of accounts receivables. Essentially, this collection of processes involves qualifying the extension of credit to a customer, monitors the reception and logging of payments on outstanding invoices, the initiation of collection procedures, and the resolution of disputes or queries regarding charges on a customer invoice. When functioning efficiently, credit management serves as an excellent way for business to remain financially stable.

Competent credit management seeks to not only protect the vendor from possible losses, but also protect the customer from creating more debt obligations that cannot be settled in a timely manner. Several factors are used as part of the credit management process to evaluate and qualify a customer for the receipt of some form of commercial credit. This may include; gathering data on the potential customer's, current financial condition including the current credit score.

1. 1 History of the Company

The Linde Group has a history of over 130 years built on a heritage of innovation with a strong focus on technology. The company's founder, Carl von Linde, invented refrigeration technology and pioneered a process of air separation. Today, Linde group is a global market leader in gases and engineering solutions.

Linde Bangladesh Limited, a member of the Linde Group, has been contributing towards the development of the nation as a silent partner. A strong in-built culture with work values reinforced and developed Linde Bangladesh over the years which are reflected in the performance of its employees for more than 50 years with continuous expansion in operations and business.

Linde Bangladesh Limited sells products to more than 35000 customers from a wide spectrum of industries running from chemicals and petrochemicals to steel. Their team of around 400 trained, motivated and professional members manages 24 hour operations at three major locations across the country to support the customers.

Linde Bangladesh Limited is committed to the quality of its product & services. Its motto is to ensure optimum conditions in health, safety and the environment for employees, customers and stakeholders. The company's history at a glance-

1958	Pakistan Oxygen Limited
1971	Renamed as to Bangladesh Oxygen Limited (BOL).
1973	Incorporated in the joint stock companies and received government approval as the first full-fledged "Company" of the newly formed country.
1976	First CO2 plant was introduced.
1995	The company changed it's name from "Bangladesh Oxygen Limited" to "BOC Bangladesh Limited".
1997	Rupgonj ASU Plant was commissioned.
1999	Shitalpur plant was bought over with 20TPD production facility.
2000	ASPEN and LPG Bottling plant was commissioned.
2006	Acquisitioned by the Linde Group.

1.2 Framework

Linde corporate culture builds on the vision, values and principles that guide the way do their business.

➤ Vision

The Linde Group's vision is to be the world's leading global gases and engineering group - admired for our people, who create innovative solutions that make a difference to the world. This vision defines who we are and what we do, guiding us as we reach our goals.

➤ The Linde Spirit

Our core values are anchored in the Linde Spirit, our corporate philosophy. All of our actions are guided by a strong commitment to corporate integrity. It is the fabric of our moral and ethical code, ensuring that we always act with honesty and fairness.

➤ Code of Ethics

Linde's ethical framework is captured in our Code of Ethics with guidelines that align with legal and internal company policies.

➤ Corporate responsibility policy

Just like the Code of Ethics, the Linde Group’s Corporate Responsibility policy also builds on the values and principles set down in the Linde Spirit. It outlines our sense of responsibility to our stakeholders, such as business partners, employees and society. It also addresses our commitment to protecting natural resources.

➤ SHEQ

Our SHEQ (Safety, Health, Environment, Quality) policy frames and inspires the continuous improvement of our activities in the areas of environmental protection, occupational health, safety and product quality.

Together, these guidelines create an umbrella framework that guides the actions of all Linde employees and divisions across the globe. They are the cornerstones of our common identity.

1.3 Product & Services

Industrial gases	Welding gases & equipment	Medical gases & equipment
<ul style="list-style-type: none"> → Compressed oxygen → Liquid oxygen → Compressed nitrogen → Liquid nitrogen → Dissolved acetylene → Carbon dioxide → Dry ice → Argon → Lamp gases → LPG → Refrigerant gases (Freon & Suva) → Hydrogen → Fire suppression system → Compressed helium → Helium → Sulphurhexafluoride → Sulphurdioxide → Special gases & gas mixtures → Any other gas on request 	<ul style="list-style-type: none"> → Mild steel electrodes → Low hydrogen/low alloy electrodes → Cast iron electrodes → Hard surfacing electrodes → Stainless steel electrodes → Arc welding equipment & accessories → Gas welding rod & flux → Gas welding and cutting equipment & accessories → MIG welding equipment & accessories → TIG welding equipment & accessories → Plasma cutting equipment & accessories → Welding training & services → Welding equipment repairs → Welding testing & services 	<ul style="list-style-type: none"> → Medical oxygen liquid → Medical oxygen compressed → Nitrous oxide → Entonox → Sterilizing gases → Medical gases cylinders → Anaesthesia machines → Anaesthesia ventilators → ICU/CCU monitoring system → ICU/CCU ventilators → Pulse oximeter → Infant warmer → Photo therapy units → Infant incubators → OT table → OT light → Autoclave /Sterilizer → Gynaecological tables → Humidifier → Oxygen concentrator → Resuscitators → Central sterilizing and supply department (CSSD) → Other medical equipment on request

Chapter 2

Job Description

2.1 Job Specification

I have worked with the accounts payable section of the finance department of Linde Bangladesh limited. Most frequent activities done by accounts payable function are detailed below.

- **E-expense process:** Linde provides cash against different expense claims like official training, travelling due to official purposes etc. Employees can take advance cash or they can claim the cash later. Accounts payable checks the claiming documents, logs them to SAP, prepares the payment vouchers and Sends the documents for signature to authorized signatories. After getting the signature, they send the Ft advice/check to bank, Get the duplicate copy of the ft advice sealed by the bank and Keep the (duplicate copy sealed by the bank) received copy for documentation in the designated file.
- **Salary:** Similarly accounts payable processes Employee salary and Director's remuneration. It also processes the taxes associated with the salary.
- **Issuing bank guarantee:** This section also provides bank guarantee on request from different department of the company. Accounts payable Receives requisition from the respective function with a drafted format mentioning beneficiary, amount, purpose, expiry and Sends the format to the bank. The bank will confirm if the format and language is ok. They can modify if necessary. Then prepares bank guarantee issuing advice mentioning beneficiary, amount, purpose, expiry and the account number against which the fees will be charged, gets it signed and sends to the bank. When the guarantee arrives, keeps a photocopy for records. It also Updates the bank guarantee register and also the soft copy Excel file and records the charges.
- **Employee loan:** This section processes employee loan requests that comes through HR. It creates invoice and gets approval from the authority. After getting the approval from respective approver it will go through regular payment process and FT advice will go to bank. After getting the advice copy received by the bank, they put the information in SAP.

- **Final settlement:** Accounts payable processes final settlement of the employees. After receiving notification from HR regarding retirement or resignation of any employee, they check the calculation of HR. Then prepare the resolution. There are 4 signatories including MD, FD, representative of 2 unions. When the resolution is signed by all signatories, they get the manual cheque signed from cheque book and disburse the cheque and make journal entry in the SAP.
- **Petty cash management:** This section also manages petty cash. They record different transactions in SAP. At the end of the month they place requisition for replenishment. For that purpose requisitions documents are prepared and signed, photocopied and submitted replenishment.
- **Vendor payment:** Accounts payable processes payment to the suppliers. They prepare the payment voucher and manual cheque or fund transfer advice. Then get them signed and send to the bank. They also keep the received copies and file them for record.
- **Month closing accounting:** Month closing accounting is also done by accounts payable. Balancing journal, ledger, trial balance, bank reconciliation etc fall under this function.

2.2 Critical Observation & Recommendation

From observation of past records, it is found that, employee turnover rate in Accounts payable function is relatively higher than that of other functions. Activities done by the function mostly follow a fixed step by step process. But if any employee leaves the job it becomes difficult for the new comer or the incumbent to follow the process in a proper manner, since there is no written manual or detailed process map.

There is redundancy in the whole payment process to the suppliers as it takes long time to get the documents signed from the designated authorities. Most of the time, normal seven days payment period cannot be followed due to this reason.

Therefore a manual for Manual for important activities of accounts payable function is required to –

- identify the detailed step by step process of the activities
- Ensure compliance with the prescribed process of LINDE.
- remove redundancy

Chapter 3

Project

3.1 Introduction

Bad debt and working capital are serious concerns for any company and business today. It has been known that cash flow problems have lead to the ruin, failure and bankruptcy of otherwise successful concerns in the industry. Therefore, it is very essential to ensure that credit control management and debt collection activities result in timely payment of the outstanding debts from customers, without damaging good customer relations with clients.

A Credit & Collections Policy is a practice or philosophy that a company adopts in order to control the risk it assumes when extending net payment terms to its customers.

First and foremost, effective credit and collections policy protects company's accounts receivable. But a sale that doesn't get paid is not a sale. It is a loss. Company's accounts receivable is a short-term asset. Along with cash and inventory is one of the most important assets. The more predictably and effectively one can convert one's A/R, the better one's cash flow will be. Solid A/R is insurable, factorable and is taken into consideration when company applies for loans and credit lines.

Another benefit to having a set policy is that it will provide consistent customer care. By knowing how accounts will be cleared for credit and the manner in which collections will be conducted, customers will know exactly what to expect when dealing with company. The better focused the company is, the higher the likelihood is that customers will understand and follow requirements.

3.2 Objective of the Study

The main objective of this study is to appraise the effectiveness of credit policy of Linde Bangladesh Limited by calculating DSO and CEI and also providing effective means of reducing default in collection of accounts.

Other objectives include the following:

- a. To appraise the effectiveness of the credit policy of the company.
- b. Identifying the problems associated with credit management.
- c. To investigate the advantages of effective and efficient management of trade credit.

- d. To also show how to reduce losses caused by bad debt through the use of effective and sound collection policy and procedures.

3.3 Sources

Methodology included direct observation, face-to-face discussion with employees of finance departments of the Linde Bangladesh Limited, study of files, circulars & overall practical experience of last three months.

➤ Primary Sources

Primary data are measurements observed and recorded as part of an original study. For the completion of this report, the primary sources of data are-

- Discussion with the organization's Supervisor
- Talking to the organization employees

➤ Secondary Sources

➤ The data which has already been collected by others, such data are called Secondary data. For this internship report, the secondary data are collected from the below sources-

- Official records
- Website of Linde Bangladesh Limited

3.4 Limitations of the Study:

The following limitations are apparent in the report—

- Duration of the program was three months only which seemed to be not enough for the details study.
- Because of policy restrictions many useful data was not available.
- Because of the limitation of information, some assumptions were made. So there may be some personal mistake in the report.

3.5 Methodology

When a company extends credit to the customer, it can prevent many potential delinquencies by establishing an effective credit policy. An effective credit policy identifies the risk level of a customer - both good and bad credit risk levels. Identifying bad credit risk prospects or customers allows the company to limit or avoid potential accounts receivable problems and bad debt. Identifying good credit risk prospects and customers could identify opportunities

where company can afford to offer better pricing or terms – enabling it to win business which otherwise may have been lost to competitors.

Although there are many methods for evaluating the effectiveness of credit and collections policy, such as an acceptable aging average and percentage of bad debt write-off, DSO and CEI are commonly used. They are important metric to keep an eye on because accounts receivable is very likely one of the biggest assets. The higher the CEI and the lower the DSO, the stronger company's policies and procedures and the faster it can turn invoices into cash and use it to meet financial obligations and grow the business.

A. **DSO:** Days Sales Outstanding (DSO) expresses the average number of days it takes a company to convert its accounts receivables into cash. It is one of the most widely used measures employed by credit professionals to analyze the success of their efforts.

There are several ways to calculate DSO. And, when used appropriately and consistently, these calculations can help answer a variety of questions about the effectiveness of credit and collection policies and practices. Questions like, are credit terms in line with competitors? Are collection procedures successful in meeting stated goals? Is the customer base risky?

DSO can give insight into the changes occurring within an organizations receivable balance. It does so by indicating whether a change occurred because of a positive or negative fluctuation in sales during that period, or if other business factors, such as promotional discounts, seasonality, selling terms, etc., created the effects.

An analyst might compare the days' sales outstanding with the company's credit terms as an indication of how efficiently the company manages its receivables. The closer to company's terms (e.g., Net 30), the better. Value of DSO indicates the followings-

- A low DSO is an indicator that a company is collecting receivables quickly; generally this is a positive sign.
- A high DSO proves that a company takes longer to collect on credit sales and can indicate current or impending cash flow problems, operational issues, or a lack of effort or focus on credit collections. It means that current credit policy is not working effectively.

Standard DSO Formula = $(\text{Ending Total Receivables} / \text{Total Credit Sales}) \times \text{Number of Days in Period}$

Best Possible DSO utilizes only current (non delinquent) receivables to calculate the *best* length of time one can achieve in turning over receivables. It should be compared to

the standard calculation above, and be close to company's terms of sale. The closer standard DSO is to best possible DSO, the closer receivables are to optimal level.

Best DSO = (Current Receivables / Total Credit Sales) x Number of Days

Delinquent DSO or Average Days Delinquent (ADD) calculates the average days invoices are past due. This provides a snapshot to evaluate individuals, subgroups or overall collection performance.

Delinquent DSO Formula = Standard DSO - Best Possible DSO = Average Days

Delinquent

The **Count back Method** of calculating takes into account sales fluctuations. this method provides a more accurate picture of DSO and its month-to-month fluctuations in sales and past due receivables. Giving more weight to the current month's sales, it reflects the correct assumption that most of the A/R balance will be from current, as opposed to previous sales. It also takes into account the real effect of the actual difference in the number of days per month

Countback DSO Formula

Month end net A/R balance - Current month's sales = Prior Periods Receivables

Prior Period = (Prior Period's Receivables / Credit Sales for Prior Period) x Number Days in Period

B. **CEI:** Collection Effectiveness Index is a better indicator of collections effectiveness as it measures performance over time. The collection effectiveness index compares the amount that was collected in a given time period to the amount of receivables that were available for collection in that time period. The resulting percentage allows the company to gauge how strong their current collections policies and procedures are and whether or not changes need to be made. A result near 100% indicates that a collection department has been very effective in collecting from customers. A low or dropping percentage means it is time to re-evaluate the policies on selling on credit and the processes collectors are following. The formula is stated as:

$$\frac{\text{Beginning receivables} + \text{Monthly credit sales} - \text{Ending total receivables}}{\text{Beginning receivables} + \text{Monthly credit sales} - \text{Ending current receivables}} \times 100$$

3.6 Overview of Credit Policy of LBL

The policy details the processes to consider and accord credit facility to identify customers who are eligible and to identify responsibility for effective management of credit risk. The credit policy is the basis on which credit terms & conditions are granted to customers. This policy is to help ensure that the mechanisms are in place for effective functioning of the policy so that revenue losses due to non payment or slow collections are avoided in one hand and to maximize profitable business opportunities on the other. The policy came into effect from 1st November 2009.

3.6.1 Customer

Means institutions/companies/individuals those who purchase products and/or services from the BOC Bangladesh Ltd. (BOCB).

Classifications of customers are as follows –

- Rate Running Contract (RRC) Customers: These are mainly Government customers i.e. DGDP, DGMS, CMSD, Bangladesh Railway etc who invite open tender from suppliers. Direct Demanding Officers and units listed in the Rate Contracts or Demanding Units will be eligible for credit facility only for the contracted items from listed supply points of BOCB. The terms and conditions are fixed by the Government customers as per Public Procurement Regulations (PPR). Once the agreement is signed by both the parties the contract comes into effect.
- PG&P/Bulk Customers: It covers all industries and individuals excluding dealers who purchase PG&P/Bulk products and/or services.
- Healthcare customers: It covers all hospitals, clinics and individuals who purchase Medical products and/or services.

3.6.2 General Guidelines

- a) Allowing of credit facility should be considered on the following grounds provided in each case the trade risk is acceptable:
 - If it encourages increase in volume of business and profitability and/or retention of existing customers.
 - If it is an inducement to a customer for buying from BOCB and not a perennial subsidy to the customers' business.
 - Credit facilities do not encourage speculative buying.
 - Where credit is unavoidable e.g. Tender, RRC, Govt. etc

- b) There must be specific credit limit for each customer. However, request for increase/decrease in credit limit depending on business consideration may be considered separately.
- c) Delegated authority should be exercised by oneself and not delegated.
- d) The credit account opening formalities is to be observed.
- e) Documented debt collection efforts to be maintained.

3.6.3 Procedure for Operating Credit Accounts

➤ **Credit to customer**

Credit will not be offered to all customers. The decision to grant credit will be based on “credit worthiness”.

➤ **Credit Worthiness:**

Credit authorisation of customers and associated credit limit is subject to the completion of a standard document called Customer’s Application for Credit Facilities. Information requested in this form to be filled up to evaluate credit worthiness. Proposal is to be completed by Customer Relations Officer (CRO)/ Head of Territory (HOT) along with the recommendations of credit worthiness. The evaluation and credit worthiness have to be vetted by Sales Manager (SM) along with his recommendations and comments. This is to be approved by the concerned Head of National Sales(HONS). Approval is only given if the application is determined to be credit worthy & within credit policy limits.

3.6.4 Credit Period

Customer Group	Credit Period
PG&P/Bulk Customers	60 days
Health Care Customers	60 days
Welding Customers	6 days

3.6.5 Credit Limit

Customer Group	Credit Period
Rate Running Contract (RRC) Customers	Limit to be set as per historical sales trend
PG&P/Bulk Customers	Average daily sales based on last 12

	months sales multiplied by number of credit days plus 25%
Health Care Customers	Average daily sales based on last 12 months sales multiplied by number of credit days plus 25%
Dealers	Average daily sales based on last 12 months sales multiplied by 30 days subject to maximum BDT 1,000,000/=

3.6.6 Payment Methods

There are several ways a customer may make payment to BOCB i.e. by Cash, Cheque, Pay order, Demand Draft or direct transfer to BOCB's bank account as agreed. Preferred payment modes are Cash, Demand Draft, Pay order & direct transfer to BOCB's bank account. Payment terms & conditions for Letter of Credit are to be agreed with customer in consultation with finance department.

3.6.7 Review of Credit Period/Credit Limit

According to the policy credit periods & limit will be reviewed at least once a year and re – adjusted based on payment history and average sales. Business should assess customer's status by credit risk assessment process during review. New limits will be guided as per Credit Policy.

3.6.8 Risk Assessment process

For new account Customer Relations Officer does first screening by meeting up with customer, visit customer's site and assess market reputation of the customer. If satisfied CRO will propose with recommendations and submit to Sales Manager. SM will do the second screening immediately by checking validity of information of documents. SM will propose with recommendations and submit to Head Of National Sales. If HONS is not satisfied with the risk assessment process, it will be referred back to SM and/or CRO for more supportive information.

3.6.9 Management of the Debtors:

a) Debtors Information: The Debtors List/any other sales related MIS ledger are generated by Finance Department & circulated within 6th working day of the following month. The responsibility of completeness and accuracy of the data captured at the Sales Centre will rest with Sales. The Debtors List is primarily monitored by CRO & SM of the business. Debtors Ledger monitoring activities are supervised by HONS and supported by Finance Department.

b) Dunning: It is quite often the case that a customer does not settle his payables on time and is therefore in arrears with his payments. In order to remind the customer of outstanding debts & follow-up of the same there is need to send payment reminders or dunning notices.

Dunning is a process whereby outstanding payments are followed up through sending system-generated communications to customers.

c) Dunning procedure:

Customer Category	Days Overdue	Dunning Level	Actions	Block Order
PG&P/Bulk Customers	< 15 days	1	No letter	No
	>15 days	2	Letter C1- Friendly Reminder	No
	>60 days	3	Letter C2a- Second Reminder	No
	>75 days	4	Letter C3- Final Reminder	Yes
	>120 days	5	Refer to Legal	Yes
Health Care Customers	>15 days	2	Letter C1- Friendly Reminder	No
	>60 days	3	Letter C2b – Second Reminder	No
	>75 days	4	Letter C2b- Continue Reminder	No
	>120 days	5	Refer to Legal	No

d) Debts Collection Procedure: SAP dunning job is run on the 10th and 25th day of each month for updating customer dunning level by Accounts Department. Dunning Letters will be generated accordingly and sent to CRO on 11th and 26th of each month. CRO will ensure that the customer receives the dunning letter 2-5 days after the run & will take action to collect payment. A statement is sent on 6th working day of every quarter end advising the customer of all overdue and due amounts. Overdue letters are sent to the customer as per above dunning matrix.

e) Credit Block: Credit block is an automatic process set up in SAP based on credit limit and dunning level. Customers are be blocked when the outstanding exceed credit limits, have overdue payment, or have reached a specified dunning level.

f) Bad Debt Write Off: When the DMRC has exhausted all means of collecting money owing, or it is not commercially viable to pursue the debt further (litigation option considered), DMRC may recommend for write off. HONS will prepare write-off proposal for Managing Director's approval.

3.7 Data analysis:

Calculation of DSO

- **PG & P/ Bulk**

Date	Credit Sales ('000 BDT)	A/C Receivables ('000 BDT)	DSO
Feb/2013	71,638	101,852	43
Mar/2013	77,184	105,222	41
Apr/2013	79,969	108,061	41
May/2013	80,196	89,121	33
Jun/2013	90,366	91,065	30
Jul/2013	91,521	90,365	30
Aug/2013	58,120	97,557	50
Sep/2013	76,311	93,477	37
Oct/2013	67,071	82,853	37
Nov/2013	67,073	76,358	34
Dec/2013	74,368	88,214	36
Jan/2014	58,621	98,274	50
Feb/2014	70,406	70,570	30
Mar/2014	87,868	73,308	25
Apr/2014	71,408	66,872	28
May/2014	76,777	62,210	24
Jun/2014	83,479	68,651	25
Jul/2014	66,443	68,230	31
Aug/2014	76,637	63,205	25
Sep/2014	84,483	63,176	22
Oct/2014	67,935	75,741	33

- **Welding**

Date	Credit Sales ('000 BDT)	A/C Receivables ('000 BDT)	DSO
Feb/2013	265,714	29,463	3
Mar/2013	282,862	30,718	3
Apr/2013	282,577	36,699	4
May/2013	256,255	36,769	4
Jun/2013	267,879	32,092	4
Jul/2013	288,181	36,346	4
Aug/2013	198,911	40,411	6
Sep/2013	299,762	50,549	5
Oct/2013	216,046	49,518	7
Nov/2013	265,657	48,837	6
Dec/2013	380,577	105,292	8
Jan/2014	232,330	93,029	12
Feb/2014	224,028	115,106	15
Mar/2014	272,617	95,396	10
Apr/2014	264,482	101,891	12
May/2014	276,929	119,908	13
Jun/2014	250,244	135,073	16
Jul/2014	234,516	136,199	17
Aug/2014	225,746	127,298	17
Sep/2014	324,912	186,006	17
Oct/2014	184,409	155,927	25

- **Health Care**

Date	Credit Sales ('000 BDT)	A/C Receivables ('000 BDT)	DSO
Feb/2013	30,038	193,350	193
Mar/2013	37,066	194,826	158
Apr/2013	31,656	191,517	181
May/2013	36,169	201,526	167
Jun/2013	35,427	199,830	169
Jul/2013	32,098	205,830	192
Aug/2013	35,923	219,964	184
Sep/2013	36,180	226,693	188
Oct/2013	37,623	231,338	184
Nov/2013	40,737	222,600	164
Dec/2013	46,271	192,461	125
Jan/2014	32,758	197,869	181
Feb/2014	36,071	206,423	172
Mar/2014	44,399	221,883	150
Apr/2014	38,774	235,832	182

May/2014	39,894	238,627	179
Jun/2014	39,575	169,658	129
Jul/2014	36,913	156,369	127
Aug/2014	41,735	165,625	119
Sep/2014	43,029	181,978	127
Oct/2014	56,525	210,336	112

- **Total**

Date	Credit Sales ('000 BDT)	A/C Receivables ('000 BDT)	DSO
Feb/2013	367,390	324,665	27
Mar/2013	397,112	330,766	25
Apr/2013	394,202	336,277	26
May/2013	372,620	327,416	26
Jun/2013	393,672	322,987	25
Jul/2013	411,800	332,541	24
Aug/2013	292,954	357,932	37
Sep/2013	412,253	370,719	27
Oct/2013	320,740	363,709	34
Nov/2013	373,467	347,795	28
Dec/2013	501,216	385,967	23
Jan/2014	323,709	389,172	36
Feb/2014	330,505	392,099	36
Mar/2014	404,884	390,587	29
Apr/2014	374,664	404,595	32
May/2014	393,600	420,745	32
Jun/2014	373,298	373,382	30
Jul/2014	337,872	360,798	32
Aug/2014	344,118	356,128	31
Sep/2014	452,424	431,160	29
Oct/2014	308,869	442,004	43

Calculation of CEI

- **PG & P/ Bulk**

Date	Credit Sale	A/C Receivables	Current A/R	1-30	31-60	61-90	90+	CEI
Jan/2014	58,621,000	98274000	55033440	19654800	14741100	4913700	3930960	
Feb/2014	70,406,000	70570000	39519200	14114000	10585500	3528500	2822800	
Mar/2014	87,868,000	73308000	41052480	14661600	10996200	3665400	2932320	
Apr/2014	71,408,000	66872000	37448320	13374400	10030800	3343600	2674880	

May/2014	76,777,000	62210000	34837600	12442000	9331500	3110500	2488400	74.4
Jun/2014	83,479,000	68651000	38444560	13730200	10297650	3432550	2746040	
Jul/2014	66,443,000	68230000	38208800	13646000	10234500	3411500	2729200	
Aug/2014	76,637,000	63205000	35394800	12641000	9480750	3160250	2528200	
Sep/2014	84,483,000	63176000	35378560	12635200	9476400	3158800	2527040	
Oct/2014	67,935,000	75741000	42414960	15148200	11361150	3787050	3029640	
	744,057,000							

- **Welding**

Date	Credit Sale	A/C Receivables	Current	1-30	31-60	61-90	90+	CEI
Jan/2014	232,330,000	93,029,000	69,771,750.0	13,954,350.00	2,790,870.0	4,651,450.00	1,860,580.00	82.7
Feb/2014	224,028,000	115,106,000	86,329,500.0	17,265,900.00	3,453,180.0	5,755,300.00	2,302,120.00	
Mar/2014	272,617,000	95,396,000	71,547,000.0	14,309,400.00	2,861,880.0	4,769,800.00	1,907,920.00	
Apr/2014	264,482,000	101,891,000	76,418,250.0	15,283,650.00	3,056,730.0	5,094,550.00	2,037,820.00	
May/2014	276,929,000	119,908,000	89,931,000.0	17,986,200.00	3,597,240.0	5,995,400.00	2,398,160.00	
Jun/2014	250,244,000	135,073,000	101,304,750.0	20,260,950.00	4,052,190.0	6,753,650.00	2,701,460.00	
Jul/2014	234,516,000	136,199,000	102,149,250.0	20,429,850.00	4,085,970.0	6,809,950.00	2,723,980.00	
Aug/2014	225,746,000	127,298,000	95,473,500.0	19,094,700.00	3,818,940.0	6,364,900.00	2,545,960.00	
Sep/2014	324,912,000	186,006,000	139,504,500.0	27,900,900.00	5,580,180.0	9,300,300.00	3,720,120.00	
Oct/2014	184,409,000	155,927,000	116,945,250.0	23,389,050.00	4,677,810.0	7,796,350.00	3,118,540.00	
	2,490,213,000							

- **Health Care**

Date	Credit Sale	A/C Receivables	Current	1-30	31-60	61-90	90+	CEI
Jan/2014	32,758,000	197,869,000	69,254,150.0	29,680,350.00	19,786,900.0	19,786,900.00	59,360,700.00	17.3
Feb/2014	36,071,000	206,423,000	72,248,050.0	30,963,450.00	20,642,300.0	20,642,300.00	61,926,900.00	
Mar/2014	44,399,000	221,883,000	77,659,050.0	33,282,450.00	22,188,300.0	22,188,300.00	66,564,900.00	
Apr/2014	38,774,000	235,832,000	82,541,200.0	35,374,800.00	23,583,200.0	23,583,200.00	70,749,600.00	
May/2014	39,894,000	238,627,000	83,519,450.0	35,794,050.00	23,862,700.0	23,862,700.00	71,588,100.00	
Jun/2014	39,575,000	169,658,000	59,380,300.0	25,448,700.00	16,965,800.0	16,965,800.00	50,897,400.00	
Jul/2014	36,913,000	156,369,000	54,729,150.0	23,455,350.00	15,636,900.0	15,636,900.00	46,910,700.00	
Aug/2014	41,735,000	165,625,000	57,968,750.0	24,843,750.00	16,562,500.0	16,562,500.00	49,687,500.00	
Sep/2014	43,029,000	181,978,000	63,692,300.0	27,296,700.00	18,197,800.0	18,197,800.00	54,593,400.00	
Oct/2014	56,525,000	210,336,000	73,617,600.0	31,550,400.00	21,033,600.0	21,033,600.00	63,100,800.00	
	409,673,000							

- **Company**

Date	Credit Sale	A/C Receivables	Current	1-30	31-60	61-90	90+	CEI
Jan/2014	323,709,000	389,172,000	194059340	63,289,500	37,318,870	29,352,050	65,152,240.0	59.8
Feb/2014	330,505,000	392,099,000	198096750	62,343,350	34,680,980	29,926,100	67,051,820.0	
Mar/2014	404,884,000	390,587,000	190258530	62,253,450	36,046,380	30,623,500	71,405,140.0	
Apr/2014	374,664,000	404,595,000	196407770	64,032,850	36,670,730	32,021,350	75,462,300.0	
May/2014	393,600,000	420,745,000	208288050	66,222,250	36,791,440	32,968,600	76,474,660.0	
Jun/2014	373,298,000	373,382,000	199129610	59,439,850	31,315,640	27,152,000	56,344,900.0	
Jul/2014	337,872,000	360,798,000	195087200	57,531,200	29,957,370	25,858,350	52,363,880.0	
Aug/2014	344,118,000	356,128,000	188837050	56,579,450	29,862,190	26,087,650	54,761,660.0	
Sep/2014	452,424,000	431,160,000	238575360	67,832,800	33,254,380	30,656,900	60,840,560.0	
Oct/2014	308,869,000	442,004,000	232977810	70,087,650	37,072,560	32,617,000	69,248,980.0	
	3,643,943,000							

Chapter 4

Results & Discussions

4.1 Results

The following results have been found out-

- The highest and lowest DSO for Gas product debtors was 50 days in August & 30 days in June 2013 and 50 days in January & 22 days in October 2014.
- The highest and lowest DSO for welding product debtors was 8 days in December & 3 days in January 2013 and 25 days in October & 12 days in January 2014.
- The highest and lowest DSO for Healthcare product debtors was 193 days in February & 125 days in December 2013 and 182 days in April & 112 days in October 2014.
- Overall in 2013, the company had highest DSO of 37 days in August and lowest 23 days in December. In 2014, it has highest DSO of 43 days in October and lowest 29 days in March & September.
- The company had 74.4%, 82.7% and 17.3% CEI index value for Bulk Gas, Welding and Health care products Debtors in 2014 respectively.
- The company had average 59.8% collection effectiveness rate in 2014.

4.2 Discussions

From the overall analysis it can be seen that DSO for bulk gas debtors is well below the period limit 60 days. But in case of credit customers of health care products, DSO is well above the limit 60 days. This is because main health care product customer is government hospitals and most of the time they are not settling the bills according to the credit terms. DSO for welding product debtors also increased in 2014 and exceeded the period limit 60 days.

Collection effectiveness index also shows that the company is not being able to collect bill effectively from the health care product customers. Collection rate is better in the case of welding product customers as CEI for them is about 83%.

Finance department does not have any separate collection unit. For that reason keeping track of credit recovery from the customers is very difficult.

4.3 Recommendations

On the basis of my orientation and practical working at Linde Bangladesh Limited the following recommendations may be put forwarded-

- Credit worthiness should be checked more carefully especially for the customers of health care products.
- The credit policy needs to be reviewed for improvement.
- The company can open a separate credit division to monitor the credit disbursement, recovery and credit worthiness of the debtors.
- New dunning process for health care and welding product customers is also needed.
- More credit facilities of varied interests should be introduced for the diversified client group.

Chapter 5

Conclusion

Credit Management system of Linde Bangladesh Ltd. is very lengthy process. In fine, credit management system is more or less effective as credit collection effectiveness rate is above 50%. But there are some loopholes in credit policy and the company should be trying to improve their credit policy for minimizing loss and maximizing profit. Measures should be undertaken to develop the credit management system. In addition, they should explore new ideas, implement new technology to serve the better credit service to customers.