

10 STEPS TO IMPROVE YOUR CASH FLOW

Step 1: Establish Credit Limits &
Guidelines

By: Melissa Nash Andrews



Why are you issuing Credit?

#1 Answer –

BECAUSE EVERYONE ELSE DOES!

“The extension of credit and financing services is a deliberate marketing strategy designed to stimulate business and give a company a competitive edge.”



What we will cover today

- Pros and Cons
- Credit Applications
- Standard Terms & Conditions
- Credit Guidelines
- Five C's of Credit
- How To Get Paid On Time Every Time

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Pros

- ✓ Attract additional customers
- ✓ Increase sales volume/reduce risk
- ✓ Value Added benefit to Customers
- ✓ Established Policy tells new Customer you are serious about being paid

Cons

- ▶ Requires more extensive bookkeeping and administrative
- ▶ Sales will not want to hear NO – or to have any restrictions
- ▶ Credit Limits in time and dollars can minimize Risk

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SAMPLE CREDIT APPLICATION

COMPANY NAME _____ PHONE _____
 STREET ADDRESS _____ FAX _____
 CITY _____ STATE _____ ZIP _____
 BILLING ADDRESS IF DIFFERENT FROM ABOVE _____
 CITY _____ STATE _____ ZIP _____
 BANK _____ CREDIT CHECK SOURCE _____
 COMPANY TYPE: CORPORATION PARTNERSHIP SOLE PROPRIETORSHIP S.C. S.S.
 CORPORATE REGISTRATION NO. _____ V.A. NO. _____ FEDERAL TAX ID _____
 ARE FINANCIAL STATEMENTS AVAILABLE? YES NO PLEASE SEE BUSINESS

NOTE: IF A BUSINESS LESS THAN FIVE YEARS, YOU MUST COMPLETE PERSONAL GUARANTEE

COMPANY DIRECTORS/OFFICERS/PRINCIPALS

NAME 1 _____ TITLE _____
 HOME ADDRESS _____ PHONE _____
 NAME 2 _____ TITLE _____
 HOME ADDRESS _____ PHONE _____
 NAME 3 _____ TITLE _____
 HOME ADDRESS _____ PHONE _____

BANKING DETAILS

BANK NAME _____ ACCOUNT # _____
 BRANCH ADDRESS _____ OFFICE/STATE/ZIP _____
 BANK CONTACT NAME _____ PHONE _____

TRADE REFERENCES

VENDOR 1 _____ CONTACT _____
 PAYMENT ADDRESS _____ OFFICE/STATE/ZIP _____ ACCOUNT # _____
 PHONE _____ FAX _____
 VENDOR 2 _____ CONTACT _____
 PAYMENT ADDRESS _____ OFFICE/STATE/ZIP _____ ACCOUNT # _____
 PHONE _____ FAX _____
 VENDOR 3 _____ CONTACT _____
 PAYMENT ADDRESS _____ OFFICE/STATE/ZIP _____ ACCOUNT # _____
 PHONE _____ FAX _____

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Credit Application

- ✓ Company Information
- ✓ Company Directors / Officers / Principals
- ✓ Banking Details
- ✓ Trade References
- ✓ Terms & Conditions
- ✓ Authorization to Obtain Credit Report
- ✓ Personal Guarantee

TERMS AND CONDITIONS (PLEASE READ AND SIGN BELOW BEFORE CREDIT APPROVAL)

PLEASE READ THESE TERMS AND CONDITIONS CAREFULLY. THESE TERMS AND CONDITIONS APPLY TO ALL CREDIT EXTENDED BY ZEE ZONE. IF YOU DO NOT AGREE TO THESE TERMS AND CONDITIONS, YOU MAY NOT OBTAIN CREDIT FROM ZEE ZONE. THESE TERMS AND CONDITIONS APPLY TO ALL CREDIT EXTENDED BY ZEE ZONE. IF YOU DO NOT AGREE TO THESE TERMS AND CONDITIONS, YOU MAY NOT OBTAIN CREDIT FROM ZEE ZONE. THESE TERMS AND CONDITIONS APPLY TO ALL CREDIT EXTENDED BY ZEE ZONE. IF YOU DO NOT AGREE TO THESE TERMS AND CONDITIONS, YOU MAY NOT OBTAIN CREDIT FROM ZEE ZONE.

APPLICANT'S NAME _____ TITLE _____
 DATE _____ APPLICANT'S SIGNATURE _____

FOR PROPRIETORS, PARTNERS, S-CORPORATIONS IN THE U.S.

I AUTHORIZE THE SELLER AND THEIR AGENTS TO OBTAIN A CREDIT REPORT FROM AN CREDIT REPORTING AGENCY. _____ APPLICANT'S SIGNATURE _____
 DATE _____

PERSONAL GUARANTEE

I, the undersigned, hereby guarantee the payment of all accounts receivable and other obligations of the applicant to the seller and their agents. I understand that the seller and their agents may sell the accounts receivable and other obligations of the applicant to a third party. I agree to remain liable for the payment of all accounts receivable and other obligations of the applicant to the seller and their agents, and to the third party, until the accounts receivable and other obligations of the applicant are paid in full. I understand that the seller and their agents may sell the accounts receivable and other obligations of the applicant to a third party. I agree to remain liable for the payment of all accounts receivable and other obligations of the applicant to the seller and their agents, and to the third party, until the accounts receivable and other obligations of the applicant are paid in full.

SIGNATOR'S NAME _____ SIGNATURE _____
 HOME ADDRESS _____ OFFICE/STATE/ZIP _____
 DATE _____ TITLE (OR S.S. NO.) _____
 SIGNATOR'S NAME _____ SIGNATURE _____
 HOME ADDRESS _____ OFFICE/STATE/ZIP _____
 DATE _____ TITLE (OR S.S. NO.) _____

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Standard Terms & Conditions

- Understand your Industry Baseline
- Clearly define terms of Sale
- Cost of Collection Provision
- Authorized to contact Bank and Trade
References (*corporate and personal*)
- Decision to Grant Credit is at discretion of
Creditor and can be modified or terminated
- Disputes settled by suit, arbitration and/or
mediation
- Agree to the above
- Personal Guarantee

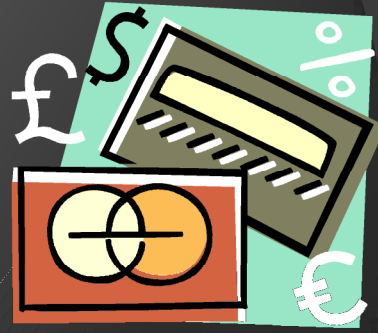
Credit Guidelines

- Set policies including standards for measuring each applicant
- Develop a Credit Application to be completed by the Person / Company applying for Credit
- Verify the data on the application
- Set a Credit Limit – in Time and Dollars
- Establish Terms of Sale
- Did you get a Personal Guarantee?



The Five C's of Credit

- Character
- Capacity
- Capital
- Collateral
- Conditions



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How To Get Paid On Time Every Time!

Be Proactive – Not Reactive

- Credit Policies
- Billing Practices
- Collection Policies
- Plug Leaks Quickly
- I did everything RIGHT,
Now what?



Q&A

Step 1: Establish Credit Limits & Guidelines

www.zeezone.org

www.howtogetpaidontime.com

Please join us on February 4th

Step 2: Checking Credit & Trade References

