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Avoiding bad debt: the roles of credit control (A study of Unilever Nigeria PLC)

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Abstract
The granting of credit involves giving of goods to customers with the understanding that payment will be in future. This project work is designed to study the credit policy, credit investigation, the controlling limits and the debt collection in an organisation. Unilever Nigeria plc is used as case study. It was discovered that the company ensures that before a customer can be granted a credit facility, adequate credit information about the customer is obtained. After all the conditions of granting credit must have been fully satisfied. Unilever Nigeria plc will then make personal evaluation of the risk that will be involved in granting credit to the intending customer/debtor. The main instrument used in obtaining the necessary data for this research work is: questionnaire, textbook, internet and reports. The primary sources were used to gather the necessary data. The data collected for this research work were analysed through the use of tables, percentages method and chi-square. Also in our findings, there is no credit limit for any customer the limit depends on the circumstances. Finally, the study recommended and concluded that, in granting credits, there must be clear cut policies which the company must be prepare to operate and also take time in investigating the credit worthiness of the intending customer before extending such facilities to them.

Keywords: Bad Debt; Credit Control; Credit Management; Credit Policy; Economic Performance; Insolvency; Liquidity; Trade Credit.

1. Introduction

Bad debt is an amount written off by the business as a loss to the business and being classified as an expense because the debt owed to the business cannot be collected.
The term bad debt usually refers to accounts receivable (or trade accounts receivable) that will not be collected. (Harold, 2011)
A debt that is not collectible and therefore worthiness to the creditors. This occurs after all attempts are made to collect the debt. Bad debt is usually a product of the debtor going into bankruptcy or where the additional cost of pursing the debt is more than the amount the creditor could collect. This debt, once considered to be bad, will be written off by the company as expenses. Most companies make sales on credit as this generally allows them to increase their sales even though some sales are made to some customers with less than desirable credit. Companies that do make credit sales will estimates the amount of sales they expect to lose to bad debt, which is found in the allowance for doubtful debt accounts. Ways have been designed in which credit can be controlled to avoid bad debts.
Credit control is therefore the process and service of an organization based on the credit policy of such organization towards achieving higher sales of product and services hence increasing the profit of the organization.
To avoid bad debt, some of the measures indicated in this research study which can be used to control credit include;

(a) Credit Management, which implies the alternatives available to a business concern either to utilize its reserve of money or borrow to finance the production of more goods and services after capital has been tied up in form of bad debt (Howard, 1982).
(b) Credit policy is the guiding line of product in the operation of trade credit. A good policy delineates responsibilities and gives the operators free hand in discharging their duties. (Granewald, 1975).

Other means of controlling debt are credit investigation, controlling credit limits, Debt collection, and so on.

2. Purpose of the Study

The purpose of this paper is to examine how bad debt can be avoided through

Credit control policy in Unilever Nigeria Plc and see how this fall in line with the general principles and practice of credit management.

To achieve this broad objective, it was:

1. To examine how bad debt can be avoided through the roles play in credit control of a company.
2. To examine the relationship between bad debt, credit control and the performance of a company.

3. Research Questions

Unilever Nigeria Plc has been increasing its capacity from year to year in anticipation of increasing demands for its products. To achieve the above objectives, the following questions were raised:

1. Can bad debt be avoided through a sound credit control of a company?
2. How does the relationship between bad debt, credit control and economic performance of a company work out?

4. Hypotheses

Subject to the above stated objectives, the hypotheses developed to be tested in this study was:

H_{o1}: Avoidance of bad debt has no roles to play in credit control of a company.

H_{o2}: Avoiding bad debt does not create significant relationship between credit control and economic performance of a company.

5. Literature Review

The granting of credit involves giving of goods to customers with the understanding that payment will be made at a later date. (Drucker, 1954) This has been a long period business practices and it is now common to almost all trades expect in places like super market and certain retail outlets where the customers has been to sell for cash only.

In business, money is used to purchase the input for the creation of goods and services, which are later sold to generate more money for the purchase of more inputs and subsequently provide income for investors in the final analysis. When a sale is made, it means that goods and services are not immediately turned to cash but rather to receivables which dominances between the flows of money. The result of this is that, the flow of money tied up in receivables which are not immediately available for the purchase of more inputs for the creation of more goods and services. At this stage, the alternative available to a business concern is either to utilize its reserve of money or borrow to finance the production for more goods and services.

Either a business concern utilises its reserve or borrows to finance subsequent activities resulting from the granting of credit, some costs are suffered on such amount that is used to fill the gap. The cost involves when a firm utilizes its reserves is known as the opportunity cost, that is, the gain that might accrue from other uses of the money other than the purpose of granting credit. Interest is a significant effect on price and thereby making it non – competitive. Furthermore, competitors may offer trade terms that may make it impossible for a firm to enter a particular market or gain a particular customer except it is ready to offer more liberal terms.

Thus, the practices of granting credit is a double edged swords, which can either cut for the company or cuts the company. It is in the light of this that credit management is defined as "professional evaluation of risks versus potential gain" (Pickles, 1982).

In defining the flow of receivables, we seek to optimize the firm's investment in receivables. The principle of trade credit is to stimulate sales and contribute to the overall profitability of the firm, not to eliminate all credit. Rather, the objective is to balance the cost of extending credit and bad –debt losses against the additional profit generated from extending credit to obtain the highest overall profit. (Nemmers and Grunewald, 1975).

To avoid bad debt, there is the need for a viable organisation to have standard credit policy. This is the guiding line of conduct in the operation of trade credit. It is essential that there should be a clear cut policy to make the operation of trade credit effective and profitable. In the absence of a clear policy, the tendency is that the credit department and the sales department will not be co-operating. This could lead to a situation whereby sales that could have been avoided are made and the credit department will be left to chase debtors that may refuse to pay-up. Large amount of bad debt may arise which could lead to restricted cash flow which in turn set on a bad ripple effect on purchases and product that result in sales being paralyzed. This could bring an unpleasant experience for any firm and as such no management would want such to occur.

Therefore, to make the credit policy effective throughout the organization, top management must set it. In other words, top management must set the policy.

Credit policy must support corporate objectives; only top management can decide what these objectives should be. Once corporate objectives are determined, top management in consultation with the credit manager and his supervisor, will device a credit management policy that will complement and support corporate objectives. (Alton, 1972).

In formulating a credit policy for credit control of a company, several factors should be considered by the management. These include;

1. The administrative costs of debt collection;
2. The procedures for granting credit to individual customers and also debt collection;
3. The amount of extra capital required to finance an extension of total credit. There might be an increase in debtors, stocks and creditors, and the net increase in working capital must be financed;
4. The costs of additional financed required if any in the volume of debtors (or the savings from a reduction in debtors). This cost might be bank overdraft interest or the costs of long term funds. (E.g. loan stock or equity);
5. Any savings or additional expenses in operating the credit policy (e.g. the extra work and extra "chasing of payers")

(a) The ways in which credit policy can be implemented for example:

(i) Credit can be eased by giving a long period to settle the account. The cost of credit would be the resulting increase in debtors.

(ii) A discount can be offered for early payment. The cost of the credit policy would then be the cost of the discount

(b) The effect of easing credit might be to ;

(iii) Encourage a higher proportion of bad debt

(iv) Increase sales volume provided that the extra gross contribution from the increase in fixed cost expenses, bad debt, discount in working capital, a policy to relax credit terms would be profitable.

According to Gibbs (1980), a very liquid company is likely to be more liberal with its credit policy than one that borrows to finance great percentage of its operation. When plant capacity is high its often requires a large scales volume to be able to recoup the fixed overheads adequately and make enough profit; but quite a number of buyers are not willing or are unable to accomplish its sales volume target. During poor market condition, such as depression or disaster, most companies are included to deal strictly on the basis on cash on delivery (COD). This is because such bad market conditions are quite unpredictable and no one wants to grant credit today and learn tomorrow. Conversely, during boom in an economy, every company is buoyant and people are more willing to grant credit as there is keen competition among producers of similar or identical goods and services. Every type of business has its customer and if a company wants to stay in business it must fairly (if not strictly) conform with those standards. Some customers are made possible because of the nature of the product. For example, a firm that sells capital goods can afford to grant credit or even operate credit purchase or with rental terms. While a firm that sells consumables must as far as possible sell strictly on cash. As to the number of days credit will be granted for early payment or not will depend on what other firms in the same line of business are offering.

When all the above factors have been considered, top management sets the policy which often states the objectives amongst other things. It is by these objectives that management expresses in clear terms what could be hoped for in achieving the credit policy. A good policy delineates responsibilities and gives the operators free hand in discharging their duties. Quite importantly, a good policy must also set standard as to the investigation of credit worthiness, setting of credit limit, collection procedures and withdrawals of credit facilities.

To avoid insolvency and liquidity problem, before an organisation gives out credit, there is need for an investigation. This involves the process of examining whether a proposed debtor will be able to pay up as at when due. It is important to determine this before the credit facilities are granted to a customer because credit worthiness is an indication of whether a debt will eventually be collected or not (Unpaid, 1985).

Most companies often require new customers to pay cash and when placing order until their worthiness has been established. Customers that can be considered for credit will be required to file an application, which should contain information that could lead to fair evaluation of his/her credit worthiness. There is also no standard form that an application can take. The forms that an application can take will depend on the type of business and the information often required in an application, which are about the ownership, history, financial status, suppliers and banks of the firm.

This information is cross-checked with banks and other suppliers of the applicant as to know whether the obligation giving to them are being honoured. Trade references are often willing to give the information that such information may not be entirely reliable, as applicant will site only those references whose obligations have always been fulfilled. It is always advisable to cross check with others in the same line of business that was not referenced to by the applicant so that it can be discovered when the applicant has something to hide. Some banks could be unwilling to lose their customers, more so, when such information is favourable to the requests and it is advised that a company goes through its own bank to seek such information from other banks. Information received from banks is usually required to indicate payment trend and whether there are charges on the assets of a customer. Personal interactions between a credit manager or salesman and the customer may be necessary before certain information can be extracted. In U.S.A, information can also be from bureau, such as Dun and Broad Street where they make use of creditors experience as well as published data. Trade Protection Association also exists in some places and they render information on the relevant trade areas. Reports published in trade journals or the type of business in which it engaged are also useful sources of information.

The information thus gathered serve as guide to those factors that are considered in the assessment of the credit worthiness of a customer. Those factors are character, capital and capacity, and they give the other two as condition and courage. Character here refers to the characters of those who run the applicant company. It is important to know who ones will be dealing with to be sure that debt can be recovered. Sometimes, people of the underworld want to defraud a company by posing as genuine business people. Also, lifestyle of the owner of a business is very important because some business which could have been very successful has failed due to the reckless living of their owners, when such people are known to head a credit applicant company, few companies will be unwilling to trade with them. Some people have also been known for their effectiveness in managing business and some have even turned failing business to viable ones. It is also possible that the owner of a business has large personal resources, which could be pledged to support the business. The willingness and ability to do so will be carefully considered by the credit manager.

Capital that usually concerns the credit manager is the working capital, that is, the excess of current assets over current liabilities. Fixed assets will be available to pay creditors only in the event of liquidation and no credit manager gives credit and plan on liquidation to get paid. And again, though a company with large fixed assets may be to borrow over a long-term but the credit manager cannot safely plan on this to get paid. Payment of debts should be prompt and working capital is the quick assets that can provide this fund (Unpaid, 1985). The information on working capital is often extracted from the most recent statement of financial position submitted by an applicant. From the statement of financial position, the quick assets ratio can be computed. Ratio of one to one (1:1) means that, should the need arise, a company coverts all its quick assets to cash, it will have just enough to discharge its short-term liabilities and this is often accepted.

However , higher ratio of quick assets are preferred because this indicate that the firm can comfortably meet its financial obligations, lower ratio of quick assets are danger signals and no one wants to grant credit when this is the case.

Capacity is the term used as a measure of effectiveness of a customer's management system. It is believed that the working capital of the business can be adequate and may run into liquid problem if the management system is inadequate. To examine that there is capacity, the credit manager wants to know the customers debts management system, whether there is forward planning, whether the product is well priced to give profit and be accomplished by discussing with the customer and visiting his operating premises. Past and present financial statements of the company can be examined and accounting ratio such as current asset to current liabilities ratio, net profit to net sales, net sales to working capital and total debt to net worth are calculated there from (Gibbs, 1980).

With this ratios compared together, a trend can be established and the credit manager can take decision on the management system. Sometimes, depending on the type of the product, it

might be necessary to find out to what extent the stocks is insured. Very small value of insurance to average value of stock is not desirable and may be necessary.

Condition is the result of interaction between relevant fact about a company and its situation in the existing economic environment. This is very crucial factor in international trade where a customer may be prevented from paying as a result of potential or exchange control restrictions. Condition can either be against or in favour of a company. If the prevailing socio-economic condition is such that a company's product is going to be highly demanded, it may not be a bad risk to extend credit to such a company even though the factors are marginal. Also, during economic depression when all activities are low, few credits will be granted as most people will insists on cash on delivery (COD).

Courage refers to the credit manager's ability to make detailed investigations and take decisions when faced with difficult situation. The extents of the investigation in any case depend on the amount of credit that will be involved, which the customer is and the market situation for the products in question (goods and services). When the credit is large and other competitors are likely to hook the customer in case of any delay, the credit manager may have to identify which of those factors earlier mentioned are most important to the decision and act otherwise the sale mighty be listed.

For effective and proper organisation in avoiding bad debt, there is need to control the credit limit (Adebayo, 1990). When credit limit has been set, a means of controlling each account must be set up to ensure that the limits are not exceeded without the credit manager's approval. All incoming orders should be vetted to ensure that they are placed on the customer's official order firm and authorized by somebody who has the power to place such an order. The value of the other is then added to the balance outstanding on the account after entering all payment from the customer. The resultant sum must not exceed the limit, if it does, it should be rejected. The control system can be either computerized or manual but it must be effective to spot any overruns promptly.

6. Methodology

The researchers used a descriptive research based on primary and secondary data. The primary data were collected through questionnaire and interview while the secondary data were collected from the existing records. The population of study consist of seventy six (76) members of staff of Unilever Nigeria Plc in Ikeja Lagos Nigeria that were met in the premises as at the time the field survey was carried out only sixty (60) staff who completely filled and submitted the questionnaires were administered. The general manager, finance manager and internal audit staffs were interviewed. The interview was aimed at reconciling the practices with the written policy of the company on credit management. Also, to identify the problems encountered by the executors of the policy. Information were extracted from the regional offices report, the annual financial statement of the company and written credit policy of the company. The data collected from the respondents were analysed in simple percentage. The hypotheses were tested using chi's square method to analyse data collected from field survey.

7. Results

Table 1: Respondents on departmental basis

Department	No of respondents	Percentages (%)
Accounting and finance	37	62
Administrative and personnel	10	17
Marketing	06	10
Production and Research	05	08
Others	02	03
Total	**60**	**100**

Source: Field Survey, 2014

Table 2: Does the enterprise has an organizational chart?

	Male	Female	Total	Percentages (%)
Yes	28	10	38	63
No	10	12	22	37
Total	**38**	**22**	**60**	**100**

Source: Field Survey, 2014

Table 3: Does the enterprise has policy on credit management

	Male	Female	Total	Percentages (%)
Yes	28	20	48	80
No	10	02	12	20
Total	**38**	**22**	**60**	**100**

Source: Field Survey, 2014

Table 4: Does the enterprise makes provision for bad debts?

	Male	Female	Total	Percentages (%)
Yes	30	12	42	70
No	08	10	18	30
Total	**38**	**22**	**60**	**100**

Source: Field Survey, 2014

Table 5: Does the avoidance of bad debt has a significant role to play in credit control of the company.

	Male	Female	Total	Percentages (%)
Yes	25	20	45	75
No	13	02	15	25
Total	**38**	**22**	**60**	**100**

Source: Field survey, 2014

Table 6: Can any customer become a debtor to the company?

	Male	Female	Total	Percentages (%)
Yes	25	10	35	58
No	13	12	25	42
Total	**38**	**22**	**60**	**100**

Source: Field Survey, 2014

Table 7: Does the enterprise need collateral from the intending debtors before granting credit?

	Male	Female	Total	Percentages (%)
Yes	07	05	12	20
No	31	17	48	80
Total	**38**	**22**	**60**	**100**

Source: Field Survey, 2014

Table 8: Does all the debtors buy on credit pay back as at when due?

	Male	Female	Total	Percentages (%)
Yes	08	07	15	25
No	30	15	45	75
Total	**38**	**22**	**60**	**100**

Source: Field Survey, 2014

Table 9: Does the enterprise take any step/policy if debtors refused to pay their debts to ensure conformity with agreed terms?

	Male	Female	Total	Percentages (%)
Yes	26	12	38	63
No	12	10	22	37
Total	**38**	**22**	**60**	**100**

Source: Field Survey, 2014

Table 10: Does all outstanding debts become bad debt?

	Male	Female	Total	Percentages (%)
Yes	12	08	20	33
No	26	14	40	67
Total	**38**	**22**	**60**	**100**

Source: Field Survey, 2014

Table 11: Does avoiding bad debt create significant relationship between credit control and economic performance of the enterprise?

	Male	Female	Total	Percentages (%)
Yes	23	19	42	70
No	15	03	18	30
Total	**38**	**22**	**60**	**100**

Source: Field Survey, 2014

8. Hypotheses Testing

Data collected from field survey are analysed using the Chi's Square test to access the hypotheses statement s which was formed from few of the questionnaires and their responses are represented in the table which will be used in this analysis.

The level of significance for this analysis is 5%

Degree of freedom = (r-1) (c-1)

Where r = number of row (2)

C = number of column (2)

Thus degree of freedom = (2-1) (2-1)= 1X1=1

8.1 Hypothesis 1

Avoiding of bad debts has no role to play in credit control of a company.

Table 12: Represents the responses recorded from field survey that forms the hypothesis.

	Yes	No	Total
Male	25	13	38
Female	20	02	22
Total	45	15	60

Source: Field Survey, 2014

$Cell_{rc} = \frac{CT\ X\ RT}{GT}$

Where CT = Column Total

RT = Row Total

GT = Grand Total

$Cell_{11} = \frac{45 \text{ x } 38}{60} = 28.5$

$Cel_{112} = \frac{45 \text{ x } 22}{60} = 9.5$

$Cell_{21} = \frac{45 \text{ x } 22}{60} = 16.5$

$Cell_{22} = \frac{15 \text{ x } 22}{60} = 5.5$

O (fo)	E (e)	O –E	$\frac{(O-E)^2}{E}$
25	28.5	3.5	0.429
13	9.5	-3.5	1.289
20	16.5	-3.5	0.742
02	5.5	3.5	2.227
			4.687

Level of significance

The level of significance is 5%. Thus, X^2 tabulated = X^2 0.05

Under the degree of freedom and probability level of 0.05 is 3.84 which mean X^2 0.05 = 3.84.

Critical Region

Reject H_0 if X^2 calculated = 4.687 is greater than X^2 tabulated i.e. X^2 0.05 = 3.84.

8.1.1 Decision

Since the X^2 calculated = 4.687 is greater than X^2 tabulated i.e. X^2 0.05 = 3.84, then H_0 is rejected and H_1 is accepted.

From the result, there is a significant different between the two variable under consideration. Consequently, the null hypothesis

(H_0) which was earlier stated was rejected in favour of the alternative hypothesis (H_1). Hence, avoidance of bad debt has a significance role to play in credit control of a company.

8.2 Hypothesis 2

Avoidance of bad debts does not create significant relationship between credit control and economic performance of a company.

Table 16: Represents the responses recoded from field survey that forms the hypothesis

	Yes	No	Total
Male	23	15	38
Female	19	03	22
Total	42	18	60

Source: field survey, 2014

$Cell_{rc} = \frac{CT\ X\ RT}{GT}$

Where CT = Column Total

RT = Row Total

GT = Grand Total

$Cell_{11} = \frac{42 \text{ x } 38}{60} = 26.6$

$Cell_{12} = \frac{18 \text{ x } 38}{60} = 11.4$

$Cell_{21} = \frac{18 \text{ x } 38}{60} = 15.4$

$Cell_{22} = \frac{18 \text{ x } 22}{60} = 6.6$

O (fo)	E (fe)	O-E	$\frac{(O-E)^2}{E}$
23	26.6	3.6	0.487
15	11.4	-3.6	1.137
19	15.4	-3.6	0.842
03	6.6	3.6	1.964
			4.430

Level of Significance

The level of significance is 5%. Thus, X^2 tabulated = $X^2_{0.05}$ under one degree of freedom and profitability level of 0.05 is 3.84 which means $X^2_{0.05} = 3.84$

Critical Region

Reject H_0 if X^2 calculated is = 4.430 is greater than X^2 tabulated i.e $X^2_{0.05} = 3.84$

Decision

Since the X^2 calculated is = 4.430 is greater than X^2 tabulated i.e $X^2_{0.05} = 3.84$, then H_0 is rejected and H_1 is accepted.

From the above result, there is significant difference between the two variables under consideration. Consequently, the null hypothesis (H_o) which was earlier stated was rejected in the favour of the alternative hypothesis (H_1). Hence, avoiding bad debt creates a significant relationship between credit control and economic performance of a company.

9. Discussion

From this study, it is observed that avoidance of bad debt in an organization will contribute to the credit control of its debtors. Also, avoiding bad debt creates a significant relationship between credit control and economic performance of a company. The ways in which an organization can avoid bad debt to control their credit has been discussed in the literature review of the study.

The financial position of Unilever Nigeria Plc will be evaluated using accounting ratio analysis to evaluate their current financial strength as well as past operating performance and to make predictions about the future. It has proved to be effective means of forecasting corporate bankruptcy.

UNILEVER NIGERIA PLC
STATEMENT OF FINANCIAL POSITION AS AT 31st DECEMBER 2008.

		2008	2007
	Note	#'000	#'000
NON CURRENT ASSETS	6	1,850,363	571,034
LONG TERM INVESTMENTS	7	568,509	427,209
		2,418,872	998,243
CURRENT ASSETS			
Stocks	8	183,119	7315
Trade debtors	9	650,590	1,049,366
Other debtors	10	309,287	105,116
Due from related companies	11	19,929	26,025
Cash and bank balances		4,655	5,186
		1,167,580	1,193,058
CREDITORS : Amounts falling due within one year			
Bank overdraft (secured)	12	219,048	1,627
Short- term loans		-	440,705
Trade creditor	13	443,841	410,454
Other creditors	14	246,292	207,382
Dividend payable	18	444	-
Deposit for shares	5	4,600	247,650
Taxation		269,930	91,665
Director's current accounts		1,006	6,932
		1,185,161	1,406,415
Net Current Assets (Liabilities)		12,418	(213,357)
Total assets less current liabilities		2,431,291	784,886
Deferred taxation		(199,377)	(11,951)
Provision for liabilities and charges			
Staff gratuity		(47,701)	(46,414)
	16	2,184,213	726,521
Capital and Reserves	17		
Share capital	19	861,030	100,00
Share premium	20	172,478	-
Fixed assets revaluation reserves	21	1,063,702	550,010
Revenue reserve		87,003	76,511
		2,184,213	726,521
Non Current	6	1,850,36	571,034
Assets	7	3	
Long Term Investments			

The notes to the account are not contained in this note, but will be readily available on request.

Source: www.Unilever.com/agm.pdf

9.1 Analysis of Company's Financial Statement
Test for Liquidity (Availability of funds)

(a) **Working Capital Ratio**

Working Capital Ratio = Current Assets / Current Liabilities

2008	2007
#'000	#'000
1,197,580	1,193,058
1,185,161	1,406,416
= 1.01:1	0.85:1

Working capital ratio measures the overall solvency of a business. It shows the ability of a company to meet its debt and obligations as at when they arise. At one time, 2:1 was considered ideal, but high ratio may be due to poor investment policies, excessive stock etc. A low ratio may be a sign of shortage in working capital.

(b) **Acid Test Ratio**

Acid Test Ratio = Current Assets – (Stock + prepayment) / Current Liabilities

2008	2007
#'000	#'000
1,014,461	1,185,743
1,185,161	1,406,415
=0.86:1	0.84:1

This ratio measures the immediate liquidity. It shows whether or not a company will be able to pays its debt as at the balance date. Ratio 1:1 is generally considered adequate as a standard because increased liquidity resources more usually indicate favourable trading vice versa.
Thus, ratio o.86:1 in 2008 and 0.84:1 in 2007 do not meet the required standard.

(c) **Cash Position Ratio**

Cash Position Ratio = cash + bank balance / Current liabilities

2008	2007
#'000	#'000
4,655	5,186
1,185,161	1,406,415
= 0.0039:1	= 0.0037:1

This ratio gives us the current liabilities that can be settled immediately, the ratio is also below standard in both years, since they are not up to ratio 1:1. The implication of cash position ratio is that in case of any eventuality, as at the balance sheet date. Unilever Nigeria plc will not have enough cash to cover its liabilities or meet its obligation.

(d) Performance Ratio
(e) This can either of be utilization of assets or credit control, but are research is concerned with the credit control aspect of it, this ratios are ;-
(i) Debtors to credit sales
(ii) Credit sales to turnover
(i) Debtors to Credit Sales

Debtors to Credit Sales = Debtors x 365days / Credit sales

2008	2007
989877 x 365days	1154532 x 365days
4467186	ssssss1095310
= 81days	= 384days

In credit management, this ratio shows how payment on sales made on credit is calculated periodically and timely in the respective year under consideration to show how improvement is being made on credit or debit collection.

Therefore, in the claims, there is down ward movement in the collection of debts from the two accounting years under consideration because in 2007, the collection period was 384days, but the collection period is reduced to 81days in 2008.

10. Conclusion
The company has a good credit policy, which has helped in its operations so far. This is observed in the financial statement, in 2007, total outstanding debtors is #1,154,532 while in 2008 reduced to #989,877 which indicate that the company comply strictly with its credit policy and hence reducing their risk of incurring bad debt. However, higher frequency of the operations of the system can be obtained. In general, performance of the company is okay in terms of profitability etc though it can be better by effective documentation of all business transaction and analysis of the cost directly and indirectly associated with the establishment of credit department.

11. Recommendations
1. Unilever Nigeria Plc should document all business transactions and up-to-date accounting system should be kept for easy determination of debt outstanding.
2. There is need to examine the length of trade credit usually granted to both the old and new customers, it is also better for the company to take into consideration its own credit position with its bank and other source of working capital granting credit to customers.
3. Attempt should be made to analyze the cost that is directly and indirectly associated with the establishment of credit control department and its benefits as these will form the basis of assessing the overall effectiveness of credit control section.
4. In order to be in a good position to monitor debtor's balance, analysis of report should be prepared and submitted to the management monthly. The analysis which will ascertain among other things, the individual debtors name, the amount owned and the age of debt.
   This will also assist the management to pin point which debts could be regarded as bad debt or those for which provision for bad debt risk should be made.
5. There should be a good relationship between the creditor and sales personnel. The credit manager should, if possible, attend sales departmental meetings and should take active part in discussions relating to pricing, credit policy, customer relationship and other areas of common interests.
6. The company should also seek an external source of finance due to their present liquidity problem, such as debt factoring, invoice discounting etc.
   Finally, the researchers hope that if attention can be paid to the above recommendations, it will be of benefits to the company, Unilever Nigeria Plc and other public liabilities companies.

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