CREDIT MANAGEMENT AND RECEIVABLE RISK ANALYSIS:

A COMPARATIVE STUDY OF PRODUCT LINE- A AND PRODUCT LINE- C AT MEGHNA GROUP OF INDUSTRIES.

Meghna Group of Industries

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EXECUTIVE SUMMARY

In this report, I have given my general experience and analysis during my internship with Meghna Group of Industries (MGI) under FMCG and in Accounts Division. The internship gave me a practical experience of real life accounting processes such as verification of bills, analysing data, using SAP and recording financial processes.

This report is primarily a comparative report of Product Line A and Product Line C in terms of credit management especially in the milk powder division. Internal company data is the basis of the study, and the data is gathered through approval sheets of credit and sets of supervisor guidance, and critical data of the company are sales value, existing credit, revised credit and incremental credit.

With simple accounting tools like percentage analysis, ratio analysis, and comparative analysis, the research will analyze the effects of various credit policies on the financial performance. The results indicate that Product Line A has a faster credit expansion strategy leading to higher sales, yet higher credit exposure and working capital pressure. Instead, Product Line C is more credit efficient, having higher sales per unit of credit and having more controlled financial risk.

The analysis illustrates that there is no guarantee of improved efficiency with increased credit support. The management of credit, however, needs a balance between the sales growth and financial control. The differences were presented in form of graphs and charts that are much easier to understand.

The practical skills in Excel, SAP and the financial verification processes were also developed during the internship besides the analytical knowledge as well as enhancement in professional communication and the knowledge of how corporate work takes place.

Altogether, this report is the combination of the real working experience with the real data analysis that helps to have the clear vision of the practice of credit management within the large organization engaged in sale of the FMCG and it helps to both study and to develop, as well as to enter the academic sphere.

PART- A

CHAPTER ONE: PREPARATION OF AN INTERNSHIP

1.1 Introduction

An internship plays a significant role in the education of a business student since it serves to enable students in connecting what they have studied in school to the actual work experience. With an internship, the students observe the operations of a company, they get to understand the office atmosphere and they get to perform the actual tasks of the job. This will assist the students to understand how the theories they learn at the university are applied in real business.

I have been on an internship experience at the Meghna Group of industries (MGI) in the accounts department in the FMCG Division. MGI is a renowned and a leading business group in Bangladesh. It is such an honor to me to work in such a large company. I am glad and proud to get to know the actual accounting and company functioning here.

This chapter discusses my reasons of doing the internship, how I discovered it, my experience during the interview and a brief overview of the company.

1.2 Reason Why I Did the Internship and Learning Objectives

The primary goal of my undertaking this internship was to be able to have a practical experience and know how accounting functions in a real business. I received numerous concepts of accounting, finance, and business in school. However, they must be observed in the real life in order to comprehend and become a good professional. I wanted to know how a large corporation manages finances, record keeping and how they organize accounting within different departments. I also wanted to prepare to a future career by studying about office discipline, communication as well as teamwork.

This internship had a number of learning objectives that I was bound to attain, and these objectives included:

- Practice accounting in the real company.
- Master writing financial statements and statements.
- Observe the way the accounting department assists in the other business.
- Communicate more professionally and improve people skills.
- Get acquainted with the working environment and the culture in the office.
- Time and problem management.

I believe that on-job learning brings about confidence, and it makes students acquire good jobs through actual experience.

1.3 Search Process and Reason of Choosing Organization as an Intern

I began seeking internships after my midterm examinations in the previous semester were over. I began early, two months prior to the internship, and that gave me a wide range of options. I posted my CV on a number of established firms and monitored internship advertisements. I noticed that lots of best firms post their vacancies in Facebook small groups which most students do not access. I found a lot of openings by attending these groups. Due to my applications, I received interview calls at large companies such as Akij Group, ACI Limited, bKash, Square Group, Megan Group of Industries and BD Finance. I received ACI Limited and Meghna Group of Industries internship offerings on completion of the hiring procedures.

I have finally settled on Meghna Group of Industries due to practical reasons. The company has nice transport and other benefits which are convenient to my studies and work requirements. MGI also possesses a strong name and numerous business areas as well as a big FMCG division which offers extensive learning opportunities in accounting. Therefore, taking into account learning opportunities and the economic advantages, I chose to do an internship at Meghna Group of Industries.

The interview I had with Meghna Group of industries was a good and professional interview. The HR team received me and created a friendly and comfortable environment. I was sure because of their courtesy. Majority of the questions were based on my resume. Interviewers inquired about my study, skills and my experiences. They also put general questions concerning the accounts department to determine whether I was aware of the basic accounting concepts. They were impressed with my academic performance and the CGPA in particular and complemented my extra-curricular activities. The interview was like a usual conversation and not a test which made it pleasant. The interview was not long but significant. Two days on I received a phone confirmation that I was selected. They asked when I could start. It was December, 2025, and my final exams on the 11 th semester were still in progress. Upon completion of those exams, I began the internship on 3 January 2026 (Saturday).

1.4 Meghna Group of Industries at a Glance

The Meghna Group of Industries MGI is one of the largest and most diversified non-state-owned enterprises based in Bangladesh. It has been initiated more than 50 years ago and has expanded considerably since then by experimenting with new ideas, spending colossal sums on factories and broadening its markets. It has over 51 years of experience in the industry, and MGI enjoys the reputation of a company that is reputable in the consumer and industrial markets in the country. (Industries, Breaking Boundaries, n.d.)

MGI operates numerous sister firms and business divisions that create a big network benefiting in the economy of Bangladesh. Currently, the organization has 57 factory organization in various industries and exports its goods to over 52 countries worldwide. (Contributors, n.d.)

MGI employs approximately 65,000 employees and it is thus one of the largest privately owned employers in Bangladesh. The company also forms a big network of business with approximately 6,650 distributors and over 20,000 suppliers and this helps in ensuring the smooth running of the production as well as reaching individuals in every corner of the country. It also operates four privately-owned industrial parks, which assist new factories in developing to sustain the economy of the country, in the long run. (Industries, About Meghna Group of Industries, n.d.)

1.4.1 Diversification of products with major product lines of MGI

MGI has a reputation of conducting a great number of different businesses. It operates through multiple product lines with covering a wide range of FMCG and essential consumer goods. Their major product line with all products presenting in the following table:

Product Line	Major Products / Categories
PL-A	Fresh Milk, Other Milk, Total Milk, AMS, Tea, Water, Sugar, Spice, CSD
PL-B	Soybean Oil, Mustard Oil, Salt, Spice, Dal, AMS, Chinigura Rice, Boiled Rice, Rice Bran Oil
PL-C	Condensed Milk, No.1 Milk, Tasty Milk, Milk, Tea, Coffee, Salt, Water, Sugar, Soybean Oil, Rice Bran Oil, Spice, Biscuit, Wafer, Candy
PL-D	Instant Noodles, Stick Noodles, Cup Noodles, Noodles, Snacks, Chini Rice, Mustard Oil, Rice Bran Oil, Puffed Rice
PL-F	CSD, Rice Bran Oil, Noodles, Water, Chini Rice, Sugar, Tea
PL-G	Biscuit, Wafer, Candy, Snacks, Spice, Puffed Rice
PL-K	Bread, Bun, Honey Love, Cake, Wafer, Biscuit
PL-U	Spice, Mustard Oil, Dal, Chini Rice, Rice Bran Oil, Soybean Oil
Corporate	Milk, AMS, Tea, Water, Sugar, Soybean Oil, Mustard Oil, Salt, Spice, Dal, Chini Rice, Rice Bran Oil, Condensed Milk, CSD, Wafer, Biscuit, Noodles, Puffed Rice, Snacks, Boiled Rice, Candy, Cake, Bread, Bun

1.4.2 Presence in the market and distribution Network.

MGI has established a very powerful distribution network, which enables its products to reach cities and villages of Bangladesh. The good supply chain and numerous distributors of MGI products enable the delivery of its products to millions of people on a day-to-day basis. According to the company, at least one out of every two households in Bangladesh consumes at least one MGI product and this does indicate the extent to which the brand is penetrating the market and the level of trust that the consumers have in it. (Industries, Breaking Boundaries, n.d.)

MGI is a firm that targets good quality, effective operations, and satisfied customers. The company maintains global safety and quality standards as its present day factories are highly technologically operated.

1.4.3 Learning Environment and Structure of Organizations.

MGI has an explicit management system. Such departments as Accounts, Finance, Marketing, Operations, Supply Chain, and Human Resources collaborate to deliver on the objectives of the company. The Accounts Department maintains accounting books, checks transactions, reports and assists the managers in making decisions.

Being an intern in the Accounts Division of the FMCG Division, I have an experience of how the company manages the money in a large diverse business. The job here provides me with the actual corporate experience and enables me to gain valuable professional skills.

Generally, MGI is an excellent internship in that it is extremely big, conducts numerous types of business, and has a professional workplace atmosphere. This guarantees its reputation and continuous growth with the result that it is one of the most significant industrial groups in Bangladesh.

CHAPTER TWO: ABOUT THE INTERNSHIP

I spent the internship as an Intern in Accounts Division of Meghna Group of Industries (MGI) under FMCG Division. I had my internship in the Head Office of the company located in Gulshan and it consists of three interrelated office buildings known as Fresh House (House 24), Fresh Villa (House 34), and House 48. The employees are able to transfer among these buildings to address the company demands and there is good collaboration of departments among them.

I was initialised in Fresh House; after two months of stay the transfer to Fresh Villa occurred, there I was given an opportunity to observe more of the accounting work. MGI has a huge accounting department of over fifty employees in each building which forms the Accounts Department.

The working environment was business and favourable. There was cooperation at work and the spirit of teamwork was promoted. Although the company has six day working week, it provides employee safety and other aspects such as transport and lunch, which contributes to employee satisfaction and productivity. My work hours were 10:00 AM to 6:00 PM.

I had to work with senior accountants as an intern who provided me with an assignment on a day-to-day basis with predetermined deadlines. The schedule made me responsible and learnt to organize my time within a business environment.

Since I relocated to Fresh Villa, they have exposed me to the accounting software SAP used by the company to keep financial records and transactions. I also worked with the Microsoft Excel in the analysis and reconciliation of data.

The bulk of my responsibilities were to assist in the daily accounting activities including:

- Verification of bills, invoices, and financial vouchers, in particular, branding and activation bills.
- Comparing the audit reports and the company financial records to make sure there is no discrepancy.
- Analyzing SKU-wise and area-wise product damage reports based on company policy.
- Matching transportation and logistics invoices with support documents and system information.
- Considering the cost of vehicle maintenance and detecting anomalous costs.
- Helping in branding billing procedures such as quotation, approval and verification of documentation.
- Keeping records in billing registers and updating them with the help of Microsoft Excel.
- Using Excel functions (VLOOKUP, MATCH, SUMIF) for data analysis and reporting.

- Monitoring the performance of digital ads (impressions and clicks, CTR) using Excel reports.
- Checking supporting documents such as purchase orders (PO) and QC reports against invoices.
- Helping in accounting with SAP which includes document parking and postings, documents clearing.
- Vendor and customer account verification performed by using SAP (T-codes: FBL1N, FBL5N).
- Helping to reconcile the bank accounts with SAP entries.
- Learning and applying basic SAP T-codes (FBV1, F-03, F-44, MR7, ZFI14, ME21N).
- Product costing and understanding Bill of Materials (BOM).
- Following procurement process activities between purchase order and goods receiving and billing.
- Implement VAT/TDS calculation and checking amounts of net payable.
- Categorizing the accounting records and good filing procedures.

CHAPTER THREE: SELF REFLECTION

This chapter will be based on my big picture experience, learning, and observation as an intern in Meghna Group of Industries (MGI).

The MGI internship experience was a very enriching and rich experience to me both on the job and personally. It has given me a chance to learn how a big FMCG organization functions within a genuine corporate setting. As I went through my internship, I noticed that MGI is a well organized and growth oriented based organization and employees in the company have time to grow and be useful to the organization.

The working environment was in the organization one of the most positive. Employees were friendly, assistive and ready to assist me every time I encountered challenges. As the only junior intern in the department, I had never been looked down upon as an intern or left out in important jobs. I was rather motivated to take an active part in everyday activities in the accounting sphere, and it allowed me to build my confidence and practice-oriented knowledge.

I was lucky to work in the supervision of Mr. Emran Hossain Chowdhury, ACMA, Senior AGM (Accounts). I have also closely worked with Mr. Mizanur Rahman (AGM, Accounts) in Fresh Villa, and with Mr. Abdul Mannan (Deputy Manager, Accounts) and Mr. Md. Saddam Hossain (Executive, Accounts) of Fresh House. I was motivated by their professionalism, diligence, and work ethics. Their daily practices gave me an idea of how crucial accuracy, discipline and responsibility are in accounting profession.

The other key observation was that MGI has a concise chain of command and organization structure, which ensures effective communication and efficient workflow. This hierarchical scheme made me realize the process of decision making and distribution of the responsibilities in a huge organization.

Nevertheless, every organization has its drawbacks, MGI has too. The work-life balance was one of the apparent stressors among employees since the company has a six-day week with but a single day each week holiday (Friday). There are also holidays that are half observed in the government. Although this structure is conducive to productivity, it can place pressure on the employees in the long run.

In general, I quite enjoyed my internship at MGI. It assisted me in the way of bouncing in between the theoretical and practical. Moreover, having finished the internship, I was asked to meet with Chief Financial Officer (CFO), Mr. Yusuf Ali, to be offered a full-time permanent job. It is an opportunity which alone indicates the worth of the learning and input during my internship and a highly motivating and memorable experience to me.

CHAPTER FOUR: PERSONAL DEVELOPMENT PLAN

This chapter gives my own development plan on the basis of knowledge, skills and experiences I was exposed to in my internship at Meghna Group of Industries.

The internship has enabled me to discover my strengths, as well as areas that I need to improve. The results of this self-evaluation have led me to a well-designed strategy to refine my professional skills and be ready to have a successful career in accounting and finance.

To begin with, I would like to enhance my technical accounting proficiency and practice. In my internship, I dealt with practical financial information, billing system and accounting programs like SAP and Microsoft Excel. However, later, I will enhance my knowledge of these tools, particularly of superior features of Excel and methods of financial data analysis since they will be required in a contemporary accounting practice.

Secondly, I would like to gain a better insight into financial analysis and decision making. This area has become more interesting to me due to the analytical part of my internship report, particularly, credit analysis and receivable risk assessment. Consequently, I will develop my ratio analysis, financial modeling, and working capital management talents.

Despite the fact that my communication skills have been enhanced through the internship, I feel that there is still some room to grow in regards to formal communication, writing reports and engagement with professionals in corporate environments. I will practice such abilities to become more accurate and efficient at work.

Other areas of my development are time management and efficiency at work. Working in a corporate environment, which is fast paced, taught me that deadlines need to be met and accurate work done, even when under pressure. I will also embrace the habit of working discipline, to enhance my productivity and performance.

Moreover, I will be encouraged to acquire professional qualifications in accounting, like CA, ACCA or CMA which will assist me in having a strong career as a professional. The knowledge received during my internship has confirmed my passion about this domain and helped me understand my career aspirations about the long-term perspective.

Lastly, I will hope to establish a good network of professionals and accumulate more learning experiences in the future through internship or employment. My post internship interview with the CFO has made me take my career more seriously and to equip myself to be in positions of greater responsibility.

Finally, this internship has transformed my career journey. The experience has not only enhanced my practical knowledge but also assisted me to pinpoint a clear direction towards my developmental future.

PART B

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Credit management is one of the important functions of accounts and finance department particularly in big FMCG organizations such as Meghna Group of Industries (MGI) where the sale is majorly being done with the help of distributors and dealers. In an attempt to have wider coverage and higher volume of sales, often companies offer trade credit to dealers. This is good in helping to increase sales, but at the same time, it creates financial risk because so much money is tied up in accounts receivables.

Therefore, a good credit management policy is needed to achieve a balance between sales growth and financial control. If the collection of credit is not monitored properly, this can result in a rise in the overdue receivables, delay in the in-flow of funds thus resulting in working capital pressure. In MGI, the various product lines have varying credit policies. Among these, Product Line A (Fresh Milk Powder) and Product Line C (No.1 Milk Powder and Tasty Me Milk Powder) have different credit management structure. This provides an opportunity to analyse how different credit policy impacts on sales performance, credit exposure and risk of receivables. Although there are different products within both Product Line A and Product Line C, it is easier to compare similar products, especially those that belong to the milk division as it is that on which I am focusing within my study.

1.2 Problem Statement

Although the policy of giving credit is intended to fuel sales growth in a business, loose credit or poorly controlled credit will lead to risk of receivables and inefficient collection usage. Different product lines at MGI have different credit structures, but these differences are not always analyzed from accounting perspectives. Therefore, this report is aimed at comparing two product lines to learn whether the difference in the credit policy brings about differences in the investment as per credit exposure, efficiency, and receivable risks.

1.3 Research Questions

1. How do the credit management policies of Product Line A and Product Line C differ in terms of credit structure, credit allocation, and settlement conditions?

2. What is the impact of these credit policies on credit exposure, sales performance, and receivable risk in Meghna Group of Industries?
3. How do these policies affect working capital management and credit efficiency between Product Line A and Product Line C?

1.4 Research Objectives

General Objective

1. To analyze and compare credit management policies of Product Line-A and Product Line-C of Meghna Group of Industries.

Specific Objectives

2. To compare credit structure and credit allocation mechanisms of product Line A & Line C.
3. To assess the effectiveness of these credit policies in terms of credit exposure, receivables risk and working capital management.

1.5 Significance of the Study

This study is important because it assesses credit management from an accounting perspective instead of addressing it only with a policy description. It helps to show the role of credit decisions in relation to receivables, collection pressure and working capital. The results obtained may be helpful to the management, accounts professionals, and those who wish to study credit management in FMCG organizations in the future.

CHAPTER TWO: METHODOLOGY

2.1 Nature of the Study

This study is descriptive and analytical in the nature. It is centered on the comparison of two different credit management policies and financial implications of these policies through the processes of quantitative and qualitative analysis.

2.2 Research Design

The research is based on comparative analytical design under which credit policies of Product Line A and C are analyzed and compared with each other on the basis of some important accounting indicators such as credit exposure, credit growth, and efficiency respectively.

2.3 Sources of Data

Primary Data

- Internship Experience Accounts Department Meghna Group of Industries
- First-hand observation of credit management practices
- Internal credit policy documents Product Line A Product Line C

Secondary Data

- Credit approval summaries
- Dealer-wise the credit and DSO data
- Previous internship reports, academic references

2.4 Data Collection Method

Data were collected through:

- Internal company documents (credit policy and Credit summary sheets)
- Observation of the daily activities related to accounting
- Analysis of credit allocation and dealer performance information

2.5 Tools and Techniques of Analysis

To carry out this research, quantitative and practical methods of accounting analysis were applied. The review was mainly based on the internal company data that were taken during the internship period.

The biggest sources of information in this analysis were the official credit summary sheets and internal documents given to me by my supervisor, in Accounts Department. These documents were full of information on sales value, current credit both fresh and updated credit and incremental credit on various product lines, especially Product Line A and Product Line C. Moreover, a few supportive findings were collected via a personal conversation with my supervisor, as well as by observing routine accounting processes.

Based on this data, the following techniques were used:

1. Percentage Analysis

Used to measure:

- Credit growth rate
- Credit-to-sales ratio

These percentages I determined based on the existing credit and revised credit and total sales that were made on the internal documents. This made me realize the extent to which credit had gone up and what credit is needed to ensure sales.

2. Ratio Analysis

Used to evaluate:

- Sales per unit of credit
- Credit efficiency

Sales and credit data on the same documents were used, to analyze this. It also assisted in determining the product line that is more effectively utilizing credit to achieve sales.

3. Comparative Analysis

Used to compare:

- Credit exposure Product Line A to Product Line C.
- Incremental credit allocation

- Cost of various credit policies.

A comparison of all calculations was done using real company data that assisted in clearly understanding the disparity in the performance of the two product lines.

Use of Graphs and Charts

The calculated data helped me to prepare graphs and charts in the excel to make the analysis evident and easy to comprehend.

- Comparison of sales, credit and growth between Product Line A and C compared through bar charts.
- Graphs were used to visually display variations in credit dependency, efficiency and risk.

These graphic illustrations provided easier interpretation of the results which justified the finding of the analysis.

2.6 Limitations of the Study

- The research is restricted to two milk powder product lines of Meghna Group of Industries.
- Some of the internal information is confidential and therefore only selected information could be utilized.
- The internship period was also limited and limited deeper long term analysis.

CHAPTER THREE: FINDINGS AND DISCUSSION

3.1 Overview of Product Line A and Product Line C

Product Line A comprises Fresh Instant Milk Powder, Super Pure Full Cream Milk Powder and Product Line C comprises No.1 Full Cream Milk Powder and Tasty Milk Powder. MGI brand Fresh, Super Pure and No.1 officially under its brand portfolio of milk powder, and reports that the raw materials are mostly sourced in New Zealand, Australia, Denmark, and Poland. Fresh seems to be a family of products that are more advanced and the news about the company on the stock exchange indicates the release of Fresh dessert milk powder variant in April 2021. Tasty Milk Powder, on the contrary, is a relatively new product as per the internship observation, which implies that Product Line C is composed of one established brand and one novice product. Such difference in the product maturity is material as it can affect the credit allocation, market support and receivable risk. (Meghna Group of Industries, 2026)

- Fresh and No.1 are better established brands in the MGI milk powder portfolio.
- Tasty Milk Powder is a new product that is new in the market.
- Fresh seems to have more brand development, as shown by the introduction of other fresh milk powder brands.

Product Line A

- Contains Fresh Instant Milk Powder and Super Pure Full Cream Milk Powder.
- Fresh brand has product extension with a launch of a dessert milk powder in 2021. (Jagonews24, 2021)
- Stable product line than new products.

Figure 3.1 Product Line A (Fresh and Super Pure Milk Powder)

Product Line C

- This line includes No.1 Full Cream Milk Powder and Tasty Milk Powder.
- One is a portfolio of the official MGI milk powder in position No.1.
- Tasty Milk Powder is the new product on the market that is launched this year.

Figure 3.2 Product Line C (No.1 and Tasty Milk Powder)

3.2 Overview of Credit Policy- Product Line C

The credit management policy for Product Line C (No.1 Milk Powder and Tasty Milk Powder) is organised on the basis of a variable credit system that includes setting credit limit for dealer with reference to dealer performance and sales target.

The salient features of this policy are the following:

- Credits are made out according to sales forecast and dealer category
- Dealers are required to settle the outstanding balances for the month
- Incentive benefits are attached with timely credit repayment
- Failure to repay as stipulated leads to restriction of the future credit
- Credit approval involves many levels of management, thus, ensuring internal control
- The policy has emphasis on maintenance of working capital discipline through controlling the receivables overdue

The policy shows moderately controlled approach of credit expansion where the credit is to be increased but the focus is very much on the area of recovery and incentive-based compliance.

3.3 Overview of the Credit Policy: Product Line A

The credit management policy of Product Line A (Fresh Instant Milk Powder and Super Pure Full Cream Milk Powder) is rather more structured and aggressive that has both fixed and variable component of credit.

The major characteristics of this policy are:

- Dealers are granted with fixed credit plus extra variable credit
- Credit Allocation is directly linked with sales volume and forecast targets
- The policy comprises a DSO-based monitoring system with assurance of receivable control
- Dealers are required to have regular payment discipline in order to maintain credit eligibility
- Credit decisions are based upon dealer performance, investment capability, and working capital involved
- The policy makes it acceptable to expand the credit in order to facilitate sales growth

This type of policy indicates a more expansion-oriented policy, whereby credit is applied as one of the strategic tools to cause higher sales, even at the expense of higher receivable exposures.

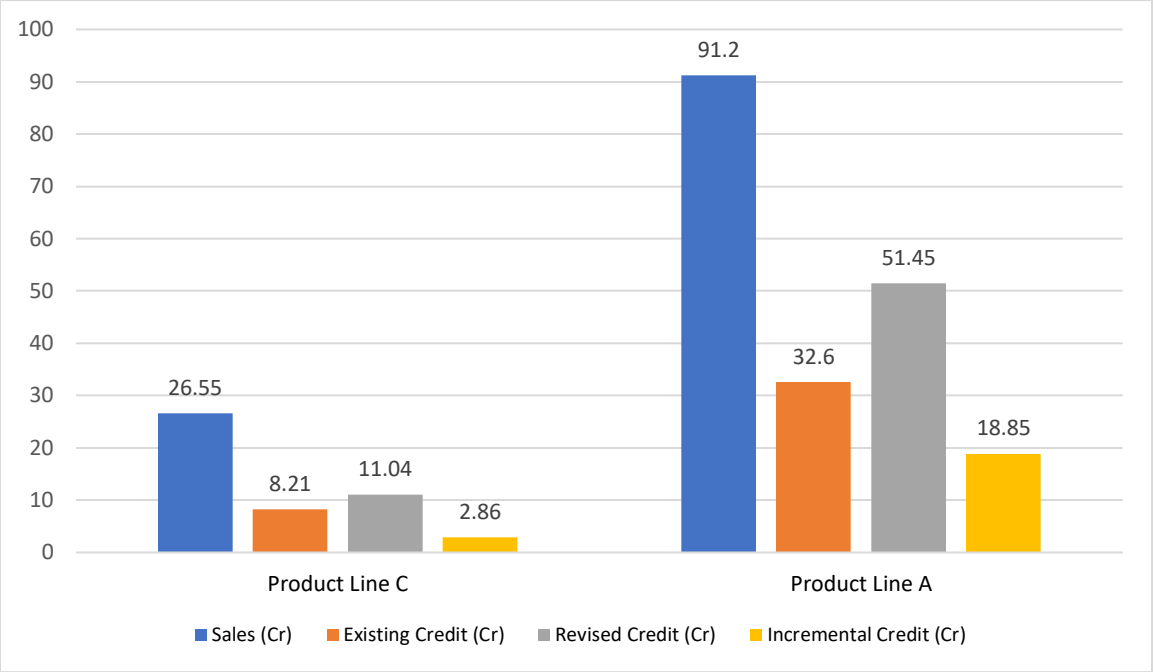
3.4 The comparison of credit position of product line A and C

The primary objective of the chapter is to make an accounting comparison between the credit position of Product Line A and Product Line C. Instead of only describing policy, this chapter focuses on credit amount, credit growth, sales support, and receivable risk. The fundamental comparisons are as shown below.

Table 3.1: Comparative credit position: Product line set A and product line set C

Indicator	Product Line C	Product Line A
Sales Value (Crore Tk.)	26.55	91.20
Existing Credit (Crore Tk.)	8.21	32.60
Revised Credit (Crore Tk.)	11.04	51.45
Incremental Credit (Crore Tk.)	2.86	18.85

Figure 3.1 Comparative Credit Position



Based on the table and chart, it is evident that Product Line A is much higher in terms of sales volume as well as credit support as compared to Product Line C. This implies that Product Line A has a natural financial exposure that is high.

3.5 Credit Growth Analysis

To determine the expansion of credit support in each line, credit growth percentage is determined.

$$\text{Credit Growth \%} = \frac{Revised\ Credit - Existing\ Credit}{Existing\ Credit} \times 100$$

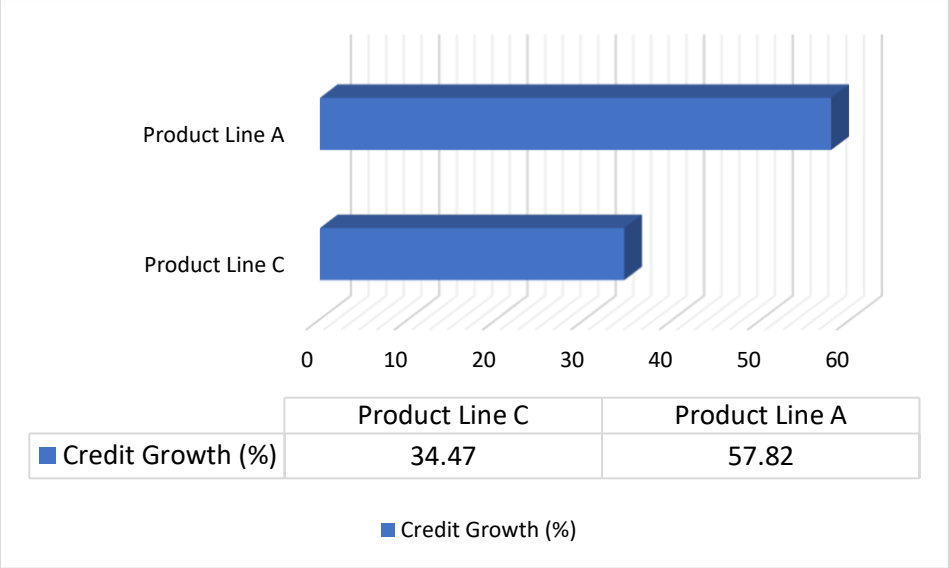
$$\text{For Product Line C, Credit Growth \%} = \frac{11.04 - 8.21}{8.21} \times 100$$

$$= 34.47\%$$

$$\text{For Product Line A, Credit Growth \%} = \frac{51.45 - 32.60}{32.60} \times 100$$

$$= 57.82\%$$

Figure 3.2: Comparison of credit growth.



This finding indicates that the Product Line A had a far greater credit expansion, in comparison with Product Line C. Accounting wise greater credit expansion implies more funds are being held up in the receivables. Therefore, Product Line A generates an increased exposure in terms of receivables and requires greater monitoring in terms of collections.

3.6 Credit-to-Sales Ratio Analysis

Another important indicator is credit-to-sales ratio. This ratio demonstrates the degree to which credit is being utilised in supporting the projected sales.

$$\text{Credit to Sales Ratio} = \frac{Revised\ Credit}{Sales\ Value} \times 100$$

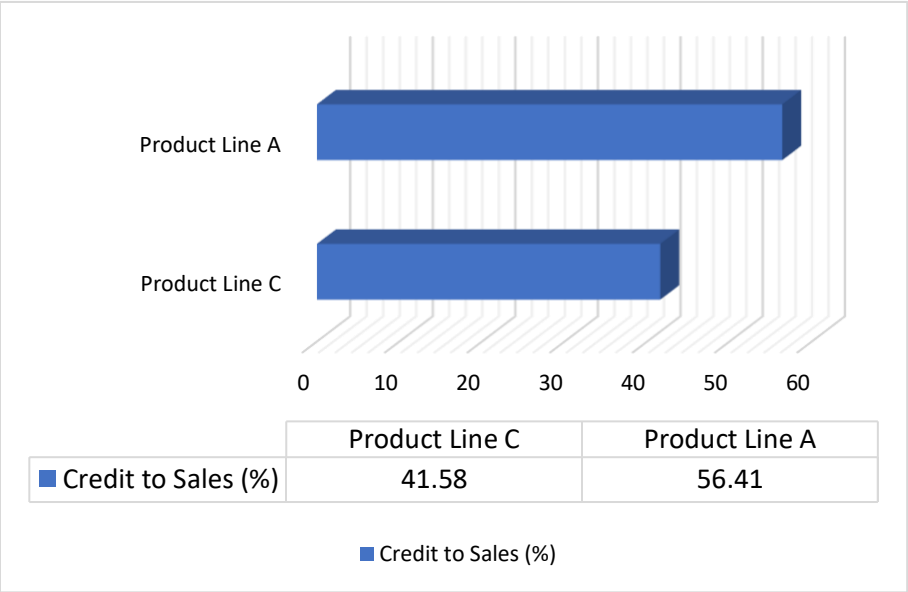
$$\text{For Product Line C, Credit Growth \%} = \frac{11.04}{26.55} \times 100$$

$$= 41.58\%$$

$$\text{For Product Line A, Credit Growth \%} = \frac{51.45}{91.20} \times 100$$

$$= 56.41\%$$

Figure 3.3: Credit-to-Sales Ratio



The chart shows that, there is a greater ratio in Product Line A. This implies that Product Line A needs higher credit facilities than its sales than Product Line C. Simply said, Product Line A is more credit-based. It also leads to the chances of higher receivables.

3.7 Incremental Credit Burden Analysis

This section calculates the importance of extra credit required against expected sales.

Incremental Credit % of Sales = $\frac{Incremental\ \ Credit}{Sales\ Value} \times 100$

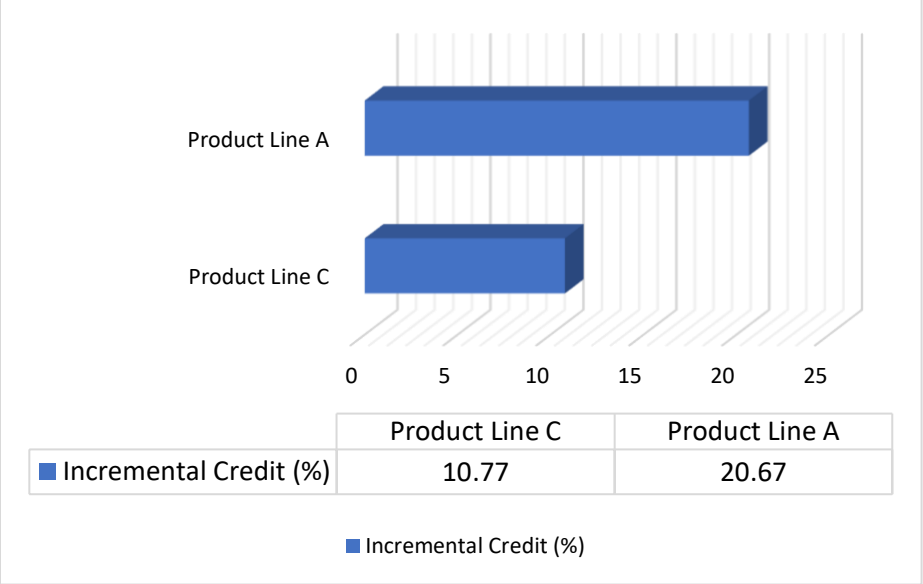
For Product Line C = $\frac{2.86}{26.55} \times 100$

= 10.77%

For Product Line A = $\frac{18.85}{91.20} \times 100$

= 20.67%

Figure 3.4: Incremental Credit Burden.



The analysis indicates that Product Line A required significantly more additional credit in order to facilitate its sales target. The reason is that when sales grow largely due to an upsurge in credit, the company will have an increased amount of pressure at the later stage of its collection procedure. Therefore, Product Line A is burdened with more credit as compared to Product Line C.

3.8 Credit Efficiency Analysis

The efficiency of credit may be expressed by indicating the amount of sales value created to each taka of credit.

$$\text{Sales Per 1 Taka Credit= } = \frac{Sales\ Value}{Revised\ Credit} \times 100$$

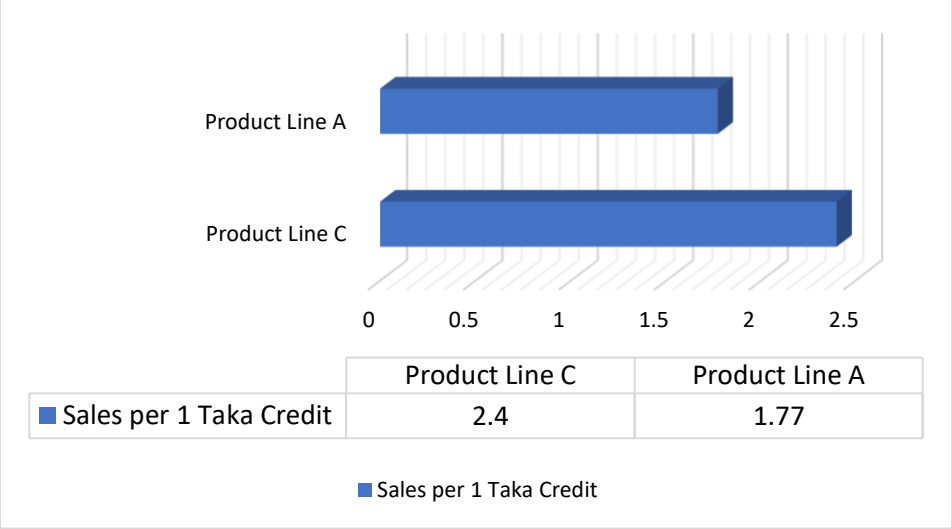
$$\text{For Product Line C } = \frac{26.55}{11.04} \times 100$$

$$= 2.40$$

$$\text{For Product Line A } = \frac{91.20}{51.45} \times 100$$

$$= 1.77$$

Figure 3.5: Credit Efficiency Analysis



This implies that Product Line C is generating Tk. 2.40 sales from every Tk. 1.00 credit. Product Line A is only generating only Tk. 1.77. Thus, Product line C is more credit-efficient. This is a positive indication as far as accounting perspective as the lower credit is relatively making better sales support.

3.9 Receivable Risk Analysis

Higher level of credit amount, laggard collection, and high level of DSO increases the vulnerability of the receivables to risks. Here, in the MGI case, DSO, cheques related information are also applied to information review at the dealer level, and introduce receivable quality monitoring by the company.

But, according to the analysis above, Product Line A has a higher risk of receivables, becvause:

- its full credit is greater,
- its credit growth is greater,
- its ratio of credit-to-sales is greater,
- and its incremental credit burden is also higher.

Product Line C on the other hand seems safer considering its credit exposure is less and credit efficiency is better.

Therefore, although the two lines follow credit policies, the financial strain created by Product Line A is stronger than Product Line C.

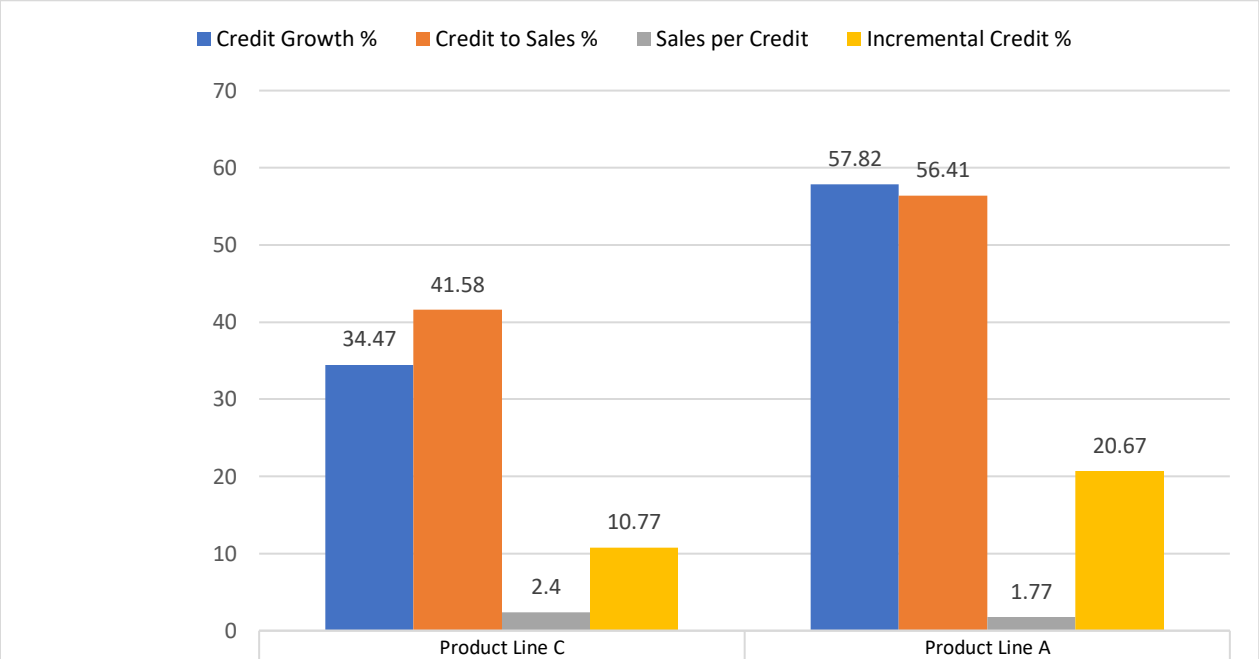
3.10 Working Capital Impact

Direct effects of selling credit increase accounts receivable. An increase in receivables leaves more cash held up and an increase in pressure on working capital.

Product Line A in the current study has a revised credit amount of Tk. 51.45 crore, compared to product line C is 11.04 crore. This evidently indicates that Product Line A needs a significantly higher working capital support.

Thus, Product Line A is riskier in terms of working capital. Late collection may add to pressure on cash flow, day-to-day operations, and short term liquidity.

3.11 Overall Comparative Finding



	Product Line C	Product Line A
Credit Growth %	34.47	57.82
Credit to Sales %	41.58	56.41
Sales per Credit	2.4	1.77
Incremental Credit %	10.77	20.67

This figure gives the understanding of overall comparision of the main financial indicator of the two product lines. The findings of all the calculations and comparison allow to draw the following findings:

1. Product Line A takes a more aggressive credit expansion strategy than Product Line C.
2. The product line A has higher credit growth as well as higher credit dependency.

3. Product Line A generates more exposure in terms of receivables and working capital.
4. Product Line C is a more credit efficient product since it sells more per taka of credit.
5. From an accounting viewpoint, Product Line C appears more controlled, while Product Line A appears more financially exposed.

This chapter therefore shows that the difference between the two product lines is not only policy-based, but also financial. The comparison ensures that it is evident that, increased credit support does not necessarily ensure better efficiency, and that more credit control is required where the exposure to credit is high.

CHAPTER FOUR: RECOMMENDATIONS

I made some comparison between Product Line A and Product Line C at the Accounts Department of Meghna Group of industries and based on the comparison with the help of my internship experience, I came up with some pragmatic areas that the credit management system can be improved.

1. Control credit increment depending on actual collection, and not just sales

In one of the occasions that I had enrolled as an intern, the increase of credit was mostly due to target sales growth. Nonetheless, there are those dealers who were increasing credit but failing to clear their outstanding dues on time.

Therefore, I believe that the management should check before raising limits on credit:

- Regularity of payments of the dealer.
- On time clear dues.

When the dealer is failing to maintain good payment discipline, the credit will only result in greater outstanding receivables.

2. Give more important on DSO in decision making

I observed from the data I worked with that the DSO (Days Sales Outstanding) is being tracked but is not necessarily applicable in the decision making process.

As a matter of fact, high DSO dealers have the following mean:

- Money trapped more time.
- Increases pressure on working capital.

So, I think:

- There must be a fixed acceptable range of DSO.
- Dealers credit should be decreased if they exceeds the limits in the meantime.

This will contribute to control of overdue accounts.

3. Do not overextend credit to reach sales target

One of the things I noticed is that, there are sales targets that pressure and credit is used to drive sales targets.

But practically:

- Higher sales on excessive credit does not always mean good performance.
- Money trapped more time.

Credit expansion is also very high in Product Line A in comparison with Line C.

So, I believe that management should focus at:

- Quality of sales that is collection of cash,
  not only
- Quantity of Sales that is focus on volume

4. Reliable and risky dealers should be separated for separate policy

Based on the experience with dealer data, I understood that not every dealer acts in an equal manner.

Some dealers:

- Never make any late payments.
- Maintain good relationship

Others:

- Delay payment
- Will require more time to clear dues.

It would be better, if:

- Reliable dealers- receive greater credit support.
- Risky dealers- limited or restricted credit limits.

This will minimize the risk of poor debts as well as delayed collection.

5. Accounts department should be more active for regular follow up

In actual office experience, I observed that sometime follow up is reliant on individual officers.

But to the better controlling:

- Accounts department should maintaining records of outstanding balances in regular basis.
- It should have more active to follow-up before end of the month.

Due to the fact that in most situations- payment is late just because nobody pushed the dealer before month end.

6. The company should review their credit policy more often.

From my internship period, I came up knowing that they review their credit policy every 2 to 3 years. The existing policies are powerful but the business environment evolves fast.

So, I think:

- At least credit limits should be checked monthly or quarterly. If that's not possible, check every 6 months or 1 years
- Review based on actual performance.

CONCLUSION

The primary goal of this report was to learn how the credit system functions in a real business environment as well as its impact on business outcomes, particularly financial performance, in a large FMCG company such as Meghna Group of Industries. The comparison of Product Line A and Product Line C helped me to bridge the gap between theory and practically notice how various credit strategies produce various financial results.

Of the analysis one thing came very clear to me-increase in sales coupled with increase in credit does not necessarily imply increase in financial efficiency. Product Line A that pursues a more aggressive policy with regards to credit expansion reported much greater sales and credit growth. Yet, concurrently, it also paved way to increased exposure in receivables, greater reliance on credit and additional stress to working capital. Its credit-to-sales ratio and incremental credit load made it quite evident that a significant part of its growth is pegged on augmenting credit support.

Product Line C on the other hand indicated a more restrained and balanced approach. Although its sales volume is less than that of Product Line A it is more credit efficient. This analysis revealed that Product Line C can make more sales per unit of credit, and this is a good use of financial resources. This is a good indicator of low financial risk and efficiency, especially on an accounting perspective.

As I was engaged in making such calculations and comparisons I understood that credit management is not only about boosting sales but to strike a balance between growth and financial regulation. When credit is extended aggressively and overextended without due oversight, it will result in late collections, higher receivable risk, and strain on the liquidity. It was quite clear with Product Line A. Conversely, a stricter credit policy, such as in Product Line C, can restrict the quick growth but will provide greater financial base.

The other significant aspect that I learnt in this analysis was the significance of monitoring tools like credit growth rate, credit to sales ratio and sales per unit of credit. These are not simple numbers but in fact used as indicators to show the efficiency with which a company is handling its resources. These ratios have always been formulae to me before this internship but now I get to know how these ratios are applied in the actual decision-making process.

Besides the findings of the analysis, my hands-on experience in the Accounts Department allowed me to learn how all these policies are applied in the day-to-day operations. Tasks such as bill verification, reviewing dealer data, and reviewing documents related to credit informed me about the amount of effort required to ensure that there is accuracy and control in the financial processes.

One of the roles of a company is to facilitate the growth of sales but on the other hand the company must manage the risk and collect the receivables promptly. According to my industry analysis,

Product Line A seems to be more geared towards growth yet being financially at risk, unlike Product Line C, which seems to be more efficient and containing in terms of accounting.

Eventually, the report did not only enhance my credit management knowledge but also transformed my perception towards financial information. This experience will certainly assist me in future both academically and professionally in accounting and finance.

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