A STUDY ON THE MANAGEMENT OF RECEIVABLES IN THE PERIOD OF RECESSION

(A Developer's Experience)

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ABSTRACTS

Housing sales are normally supported by end-finance. End-financiers are usually a group of institutional lenders such as banks and finance companies arranged by the developer to help potential purchasers. Eligible government employees are usually entitled to 100% housing loan. Purchasers from the private sector rely heavily on end-financing from their employers or banks. Institutional lenders do not provide 100% loan. The maximum they are willing to provide is 90%. The remainder will have to be forked out from the purchasers' own pocket.

Previously, purchasers were required to pay the remainder in one lump sum. Nowadays, it is a common practice whereby purchasers are allowed to pay only $1,000/- as the down-payment when the SALE & PURCHASE AGREEMENT (SPA) is signed. The end-financiers will not release payments unless purchasers have settled the difference with the

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1.0. INTRODUCTION

1.1. RECEIVABLES : AN OVERVIEW

Receivables represent claims arising from sale of goods, performance of services, lending of funds or some other type of transaction which establishes a relationship whereby one party is indebted to another. The primary sources of receivables are transactions with customers in which they are allowed to pay later. The amount at which a receivable should be reported in the financial statements of an enterprise is by no means obvious. The dollar amount of a receivable may be clearly evident from the term of agreement which establishes the receivable, but not all receivables will prove to be collectible.

Compared to cash, there is more risk associated with receivables because of the possibility of not