



E-Credit News

Wisconsin Credit Association
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WISCONSIN CREDIT ASSOCIATION 262.827.2880

December 2008

In This Issue

WCA Member Updates & News

This month's topics...

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2. Guarantees: What to Do. What to Look for. What to Avoid
3. Writing Effective Collection Letters
4. Requesting Updated Financial Statements When Poor Results Are Reported

Followed by
Industry Group Meetings



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BCMA Members

[*NACM Credit Services, Inc.](#)

[*Pennsylvania Association of Credit Management](#)

[*Wisconsin Credit Association](#)



In Observance of the holidays, the WCA/BCMA office Holiday hours are:

Wednesday, December 24 the office will close at Noon
Thursday, December 25 the office will be closed all day
Wednesday December 31 the office will close at Noon
Thursday, January 1, the office will be closed all day

There are many exciting events coming in 2009. Here is a sneak peak at just a few.

BULK SALES & RECEIVERSHIP COMING IN JANUARY

AUTO CASH - CASH AP COMING IN FEBRUARY

BARRY ELMS WILL BE JOINING US FOR A FULL DAY IN MAY.

* THE ART OF GETTING PAID, HOW TO IMPROVE COLLECTIONS AND CASH FLOW - MAY 12, 2009

* GETTING PAID IN A TOUGH ECONOMY - MAY 13, 2009

PREPARING BUDGETS: PLANNING AHEAD & DOING IT RIGHT! COMING IN AUGUST

We will have more information on these exciting events at a later date. Make sure that you are watching the website as many of these will fill up fast!



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President & COO,

Chrys Gregoire X221

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Dianna Rowinski X225

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Employment Services

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Group Administrator

Lisa Schroeter X224

Credit Reporting/Group Services/ Data
Transmission

Lee Pearce, CCP, CPC X231

Recovery

Sandi Chojnacki, CCP, CPC X228

Recovery

ALL EMAIL ADDRESSES ARE:

Firstnamelastinitial@wcacredit.org.

GOT AN IDEA?



Would you like to contribute to the BCMA Newsletter? The most important part is your idea. We can handle the polishing. Just write to us at BCMAEditor@CreditToday.net with your idea!

NEW ASSOCIATION REPRESENTATIVES

Nicole Riley

Harley-Davidson, Inc

Gloria Wendt

Outlook Graphics Inc

NEW GROUP REPRESENTATIVES

INTERNATIONAL CREDIT EXECUTIVES GROUP (ICE)

Nicole Riley

Harley-Davidson, Inc

WCA MEMBERSHIP UPDATES

Congratulations to Kathy from Steen Macek Paper Company on becoming a proud new grandma! Her daughter gave birth to a sweet little girl. Reese Emilie was born on November 19th, 5 lbs, 11 oz, 20 inches. Congratulations and best of luck to all!

Great Going, Catherine Degner, Gustave A Larson Company, on passing The Business Credit Principles Course. Nice One!

BACK BY POPULAR DEMAND AND WITH MORE CHOICES!

ONLINE WITH SCHEDULED CHAT TIMES

This is a GREAT OPPORTUNITY for those who want the flexibility of online study yet the structure of classroom meetings, interaction, weekly projects and assignments. These 10-week courses will include an hour chat-room session each week.

Here are a few of the courses that will be offered with Chat-Room options. Watch the website for start dates and times as well as a special that will be running.

BUSINESS CREDIT PRINCIPLES

CREDIT LAW

FINANCIAL ACCOUNTING

FINANCIAL STATEMENT ANALYSIS I

FINANCIAL STATEMENT ANALYSIS II

INTERNATIONAL FINANCIAL STATEMENT ANALYSIS

INDUSTRY CREDIT GROUPS

Are you looking for an opportunity to meet and network with credit executives in your industry? WCA administers credit groups servicing a variety of industries. Being connected to one of these groups will give you just what you are looking for-

- Updated credit information on mutual customers
- Face-to-face interaction with your industry peers
- Industry specific educational discussions

Feel free to visit our website, www.wcacredit.org, or contact us at 262.827.2880, for additional information.

EMPLOYMENT SERVICES

You cannot turn on the news without hearing the R word - Recession. It has more power as a self-fulfilling prophecy than an actual condition. It creates uncertainty to which people & companies react.

We have seen requisitions for new staff temporarily withdrawn this year, until things become more certain. Not **spending money or committing to long-term expenses** whenever there is an opportunity is how to manage uncertainty.

While you might not be allowed to replace/add a person, you may be able to obtain approval to hire a temporary candidate. **You want** someone for 6 months but your CFO will find a **contract for 60 days more attractive** because he/she can control the expense. Our contracts often last 6-12 months or more but can start with a minimal commitment. They can run that long due to the temporary person actually being hired.

We have excellent candidates available now for full-time permanent & temporary positions throughout the state. This is where to find experienced people that are effective immediately!

Please call WCA at 262-827-2880 Ext 232.

DON'T FORGET



Credit reports offer low-cost credit histories you can use to predict risk & make sound credit decisions quickly.

Credit reports are also important when you investigate a new customer, notice a change in a customer's payment practices, receive an unusually large order, or receive a number of inquires about a customer.

WCA offers access to these credit-reporting databases under one single, universal report subscription. We use a unit system so you do not have to commit to one database & your subscription never expires!

A variety of credit reports are available from WCA; call or [email](mailto:lisa@wca.org) Lisa, today! 262-827-2880 Ext. 224 for more [information or questions](#).

POSITION YOURSELF FOR ADVANCEMENT. DO NOT FORGET THE BCMA ACCREDITATION PROGRAM.

The Business Credit Management Association offers experienced individuals, the opportunity to earn professional accreditation. A Professional Accreditation is not just mere initials that look good on a resume or business card, but are evidence that the designee has attained a high level of expertise and knowledge in the field of Credit, Collections, Accounts Receivable, and Risk Management. BCMA offers two specific accreditations and each requires its own set of demonstrated skills, experience and knowledge to earn. Credit and Collection Professionals can immediately enroll and/or obtain professional accreditation in the Business Credit & Collection field. Check out the website creditsociety.org, apply for and get started today!

PLEASE CONTACT *CHRY* AT WCA, 262.827.2880 X221 TO REPORT MEMBER NEWS

1. MEMORIZE THIS AND YOU WILL BE WORTH A FORTUNE TO YOUR COMPANY: SCHILIT'S SEVEN SHENANIGANS

Shenanigan One: Recording Revenue Too Soon or of Questionable Quality

- Recording revenue when future services remain to be provided
- Recording revenue before shipment or customer's unconditional acceptance
- Recording revenue although customer is not obligated to pay
- Selling to an affiliated party
- Giving customer something of value as a quid pro quo
- "Grossing-up" revenue

Shenanigan Two: Recording Bogus Revenue

- Recording sales lacking economic substance - side agreements
- Recording cash received from lender as revenue
- Recording investment income as revenue
- Recording as revenue supplier rebates tied to future required purchases
- Release revenue improperly "held back" before a merger

Shenanigan Three: Boosting Income With One-Time Gains

- Recording gains by selling assets recorded at deflated book value.
- Including investment income or gains as revenue.
- Including investment income as reduction in operating expenses.
- Creating income by reclassification of investment gains.

Shenanigan Four: Shifting Current Period Expenses to a Later or Earlier Period

- Capitalizing normal operating costs, particularly if recently changed from expensing
- Changing accounting policies and shifting current expenses to a later period
- Amortizing costs too slowly
- Failing to write-down or write-off impaired assets
- Releasing asset reserves into income

Shenanigan Five: Failing to Record (or Improperly Decreasing) Liabilities

- Failing to record expenses (and related liabilities) when future obligations remain
- Reducing liabilities by changing accounting assumptions
- Releasing questionable liability reserves into income
- Creating sham rebates
- Recording revenue when cash is received, yet future obligations remain

Shenanigan Six: Shifting Current Revenue to a Later Period

- Creating reserves and releasing them into income in a later period
- Improperly holding back revenue just before an acquisition closes

Shenanigan Seven: Shifting Future Expenses to the Current Period (as a One-Time Charge)

- Improperly inflate amount included in special charge
- Improperly write off in-process R&D costs from acquisition
- Accelerating discretionary expenses into the current period

Thanks to Dr. Howard Schilit.

2. GUARANTEES: WHAT TO DO. WHAT TO LOOK FOR. WHAT TO AVOID

Guarantees are being increasingly used by savvy credit execs throughout the country to help secure open account transactions. We recently spoke with Jim McCoskey, formerly the commercial credit manager at cell phone giant T-Mobile, which authorized the bulk sale of phones and products to independent retailers around the country for resale to their customers. He used guarantees as an integral part of the credit process.

The Personal Guarantee (PG) Form: Some Dos and Don'ts

CT: Guarantees can be very technical. What did you do to make sure your documents were sound?

JM: First off, it is important to note that an attorney should review and approve any legal form used in your business. With that said, however, here are some important principles that have worked for us:

- Your guarantees should not be limited in time or amount guaranteed unless jointly negotiated; rather it should be all-inclusive and in force as long as a business relationship exists.
- It should guarantee all balances resulting from all company purchases, including CODs which may be uncollected by the shipping company.
- Consider, in association with counsel, if you want the guarantee to include a waiver of all defenses along with jurisdiction (location) of litigation.
- A credit report permission statement should be included at the end of the form above the guarantor signature line.
- In addition, above that line should be a mini-form, completed by the guarantor, which includes his/her legible printed name, residential address, telephone and social security number.

CT: Good points. Anything else?

JM: Yes. In community property states (in which husbands and wives have equal and joint ownership of marital assets) consideration, in consultation with your counsel, should be given to requiring a personal guarantee from both parties to avoid a potentially adverse legal ruling that one of the parties cannot obligate assets of the other to guarantee a debt. Consideration should also be given to requiring notarized PGs to avoid potential signature validity issues if suit is brought against the guarantor.

3. WRITING EFFECTIVE COLLECTION LETTERS

Writers of any business correspondence have to know how to influence others to see their point of view. The key in credit letter writing is that the letters must be especially well written since they are supposed to encourage a reluctant debtor to do something they do not want to do - pay up!

Avoid Business English

Any book or seminar on letter writing will stress a conventional approach to business correspondence. Unfortunately, standard or conventional collection letters are frequently ignored. One way to improve letter-writing skills is to save copies of letters that you feel are especially effective. From time to time, credit professionals must review each of their form letters and revise them in order to make them as effective as possible. Experienced credit professionals know that effective letters:

- Are concise, direct and easy to understand.
- Request immediate action.
- Include all relevant information.
- Have all relevant documentation attached.
- If appropriate, give the debtor company a face-saving way out.

Brevity

Are there paragraphs, sentences or even words that do not contribute to accomplishing the goal of the letter? If so, remove them. Less is sometimes better. Rarely is a carefully crafted credit or collection letter more than one page.

Documentation

A credit or collection letter can reference other documents (with copies attached). Supporting documentation should be attached to remove excuses for additional delays in payment.

Be a Salesperson

Many credit professionals do not view themselves as having much in common with salespeople. However, if creditors are going to collect using letters, those letters must sell the idea that it is in the debtor's best interest to pay the creditor as soon as possible. The reader should be told how cooperation is in the best interest of all parties concerned.

Misuse of Tone

All the facts contained in the letter may be correct. The creditor may be justified in sending a letter to the debtor; yet, the reader may take the letter the wrong way. Why? Perhaps the letter rubbed the debtor the wrong way. Some common problems are that the letter:

- Is more demanding or threatening than required.
- Stresses the creditor's needs more than the debtor's.
- Conveys a condescending attitude.
- Repeats points.
- Is discourteous.
- Is unprofessional.
- Lacks tact.

- Is not truthful.
- Is not accurate.

The tone of a letter should avoid unnecessarily antagonizing the debtor, no matter how severe the collection problem. A professional approach displayed in the credit letter will further support the facts contained in the letter and the serious nature of the problem. Therefore, the debtor should be more likely to respond appropriately.

4. REQUESTING UPDATED FINANCIAL STATEMENTS WHEN POOR RESULTS ARE REPORTED

Sometimes, when applicants or customers provide updated financial statements to the creditor or to a credit-reporting agency, the statements indicate that the company might be in serious financial trouble. No credit professional can afford to ignore this type of information. Rather than jump to hasty conclusions, the more experienced credit professional will ask the debtor company to provide updated information. This more current information should enable the credit professional to make a better-informed credit decision.

A letter should be carefully written to cause as little offense as possible. The letter should assure the debtor company that you are looking for additional information in order to continue to extend open account credit, and that you are not looking for a reason or an excuse to withdraw the open account terms. The salesperson and the sales manager should be copied on this type of letter.

If the debtor fails to provide the requested updated financial information, the creditor may have no choice but to withdraw or reduce the debtor's open account terms. Here is an example:

[Date]

[Customer name]

[Address]

Attention: Milt Gibson

[Title]

Dear Mr. Gibson:

Thank you for sending us a copy of your company's fiscal year end financial statements. We have analyzed those statements carefully. I hope you will understand that as an unsecured creditor we are concerned about the financial position of your company as reported in those financial statements. Specifically, your Income Statement shows a loss for the year of \$XX, XXX.

I do not want to act hastily. Therefore, I would appreciate it if you would send me a copy of your company's interim financial statements for the first six months of the year. Please include copies of your Balance Sheet, Income Statement, and Cash Flow Statement.

I look forward to receiving this information shortly. If you have any questions or concerns about this request, please call me at (XXX) XXXXXXX.

Thank you.

Sincerely,

Melissa Ryan-Bonhall
Corporate Credit Director
[Creditor company name]

cc: salesperson
Sales manager
Credit file
Correspondence file

To learn more about subscribing to Credit Today, check out our web site at credittoday.com

Credit Execs- NO to Federal Bailout of Automakers!

Benchmarking Credit Insurance: Benefits - Raw Data

Survey Results: Telecommuting Not Gaining Traction in the Credit Community

Survey Results: Credit Executive Attitudes Towards Outsourcing Strongly Affected by Experiences With Receivables Outsourcing

Survey Results- Majority of Credit Pros Believe We're DEFINITELY in a Recession - Coping Strategies Detailed

Survey: How Credit Leaders Are Dealing With Today's Tough Economic Climate; Insights & Action Items You Can Use

UPCOMING INDUSTRY CREDIT GROUP MEETINGS

DECEMBER 4TH

Food Suppliers Credit Group
Madison WI

DECEMBER 8TH

IL Wholesale Floral Suppliers Credit Group
Oakbrook IL

DECEMBER 10TH

Plumbing & Heating Industry Credit Group
Waukesha WI

DECEMBER 11TH

Fine Paper/Graphic Arts Credit Group
Milwaukee WI
Metals & Industrial Suppliers Credit Group
Brookfield WI

DECEMBER 16TH

Building & Construction Materials Credit Group
Milwaukee WI

WI/IL HVAC Industry Credit Group
Rockford IL

DECEMBER 17TH

Minnesota Electrical Product Suppliers
Brooklyn Park MN
Food Service Supply Hospitality Credit Group
Milwaukee WI

DECEMBER 18TH

IL Fine Paper Industry Credit Group
Oak Brook IL
Construction Industries Credit Group
Appleton WI

DECEMBER 19TH

SE Electrical Suppliers Credit Group
Milwaukee WI

DECEMBER 23RD

Western Electrical Suppliers Credit Group
List Only

EDUCATION EVENTS

HELP us plan the 2009 Lunch & Learn Series. Email Dianna at diannar@wcacredit.org with your topic & speaker suggestions as soon as possible.

[Click here](#) for an updated event list including future events and closings