

# Excellence

December, 2006

A newsletter for the members of Intermountain Credit Education League (ICEL)

Thursday  
December 14  
ICEL  
Luncheon  
*Little America*

**WHITE  
CHRISTMAS**



## President's Message

Larry Brooks, CPA, CCE  
ARUP Laboratories Inc.

## Make It Easy For Your Debtors

What can I do, you ask?  
P.L.E.N.T.Y., is my response.

Prepare in advance – before it ever becomes a collection account. Check credit references of each new account. Don't extend more credit than the company can handle.

Let each account know your transaction terms thoroughly. Make sure your accounts know when you expect payment and clearly outline any credits for early payment, as well as penalties for late payments.

Expect payment to be made, in full and on time. Obviously, this won't always happen, but act in each situation as if that is always what you expect. Start with that expectation. You can modify the collection plan, accept a reduced payment arrangement or some other alteration of the original terms if it becomes necessary. Eliminate any excuses the debtor might otherwise attempt to use. Be certain that the invoice has been received and any disputes over charges/discounts, etc. have already been addressed.

Notices. Send notices and/or make phone calls/contacts when your expectations are not being met. Be clear and concise in your communication with the debtor. ALWAYS follow up.

Many times, the debtor isn't the only one to make broken promises. Use whatever method works for you (task lists on Microsoft Outlook, tickler files, etc.), but always follow through with what you promise to do. Consistency should be one of the key words in the creditor's vocabulary.

Turn the account over to a third party collector when you have made the determination that your attempts have been unsuccessful. Prior to this step, make sure that all available avenues have been explored. For example, does the sales rep (or anyone else in your organization) know anyone at the debtor's company that she/he could contact to attempt to collect the debt? Is there an amount to offset (does your company owe any amount to the debtor's company)?

You are more in control than you might realize. You have many tools at your disposal. Don't be hesitant to use them whenever necessary. If you have any or all of the debt secured, go after the collateral. Be sure and report the delinquency to NACM. Why shouldn't others know about their refusal to pay a debt? Perhaps you may help someone else avoid having a delinquent account. Or, at least, a future potential creditor could know about the past delinquencies of the debtor and can use that information as to whether or not to extend credit.

Last, but not least, think about which accounts are easier to pay – those who have the

remit to address prominently displayed and/or a self addressed envelope included in their invoice mailer, or those whose information is hard to find or unclear. Don't be in the latter category. Make it easy for them.

At the very least, don't make it easy for them to NOT pay you.



**ICEL Luncheon**  
**Thursday, Dec. 14**  
**White Christmas**  
**Little America Hotel**  
**11:45 a.m. - 1:15 p.m.**

Join ICEL this month for our annual Christmas program and enjoy a "White" Christmas.

Jake White is from Bountiful Utah, and currently lives in Utah County. Over the past 10 years he has performed his unique guitar style for audiences around Utah and the surrounding states. He has been featured as an opening artist, performing with local musicians such as Peter Breinholt, Jon Schmidt, The California Guitar Trio, and Ryan Shupe. He currently has three CDs, and one on the way.

Cost: \$23.50  
For reservations contact  
Georgette Bevan, CCE  
at 487-8781, ext. 116

## Using Financial Statements To Help Set Credit Limits

Marianne Maddox, CBA  
AchieveGlobal



### Financial Statements:

Financial statements can be

used in assigning credit limits to customers. Various ratios and factors like net worth and working capital are compared to industry norms and trends. If a customer shows liquidity and efficiency per industry norms then a more confident approach can be taken in setting credit limits. One has to also consider if short-term liquidity is important or meaningful to the nature of your credit or is long-term liquidity more important. Some companies will consider the tangible net worth while others consider net working capital, because it measures the short-term liquidity of a company.

While doing such analysis one has to also consider elements outside of the domain the financial statements before making a conclusive decision.

For example, a company might have suits or judgments against it. On the other hand the financial statements could be un-audited or company prepared.

Another ratio that is of importance to lenders is the 'debt to equity ratio'. The ratio shows how the company is leveraged and illustrates the stake of the lenders as opposed to the owners. A secured creditor (like a bank) may require a certain level of debt to equity. Otherwise, upon default, loans become payable upon demand which could lead to sale of assets to pay the

loan. If this ratio is within industry norms and to the satisfaction of the secured lender then a more liberal approach can be taken in setting the credit limit for this customer. The days sales outstanding, also known as D.S.O., is a measure of the quality of a company's receivables. It is calculated by dividing the net receivables by average daily sales. If the DSO is in line with the norms for the industry then a more aggressive approach can be taken in setting the limit for this customer.

Past performance should also be considered. The credit limit in this case may be based on the past history of the customer. The two elements that you would consider and weigh would be past payment performance and purchase pattern.

The credit decision may be need based. Credit limits may be set based on the needs of the customer. It could be set to accommodate the first requested credit limit or the size of the first order. It should not be done in isolation but by a combination of the other methods discussed in this article. Not discussed but a technique used for setting credit limits is the information and ratings provided in credit reports.

It is imperative for the credit professional to understand and follow the provisions under the Equal Credit Opportunity Act (ECOA) when evaluating credit limits, particularly the notification of 'Adverse Action'. Unless otherwise excluded, business credit grantors must give notification to business credit applicants of adverse action depending on the gross revenues of the applicant. Therefore, disclaimers in your credit application are of importance and relevance and should be reviewed by your legal counsel.

## ICEL Spotlight D'Ann Johnson, CBA Kenworth Sales

by Caryl Nielsen, CBF  
Valley Glass, Inc.



D'Ann has worked within various industries.

She has been employed by Kenworth Sales for approximately 2 ½ years. Prior to this, she worked for general management, sales, and marketing. She has also worked in the medical and retail fields.

D'Ann received her CBA accreditation through NACM in 2005. She is currently taking her final class to prepare for the CBF accreditation in 2007. She is just short of having an RN license which she gave up do to her fear of needles.

D'Ann is married with three children whom all still live at home. She has 2 dogs, 2 cats, and 2 birds. The dogs and cats are her babies and the birds are her daughter's problem.

D'Ann's hobbies include camping, watching scary movies with her kids, and traveling.

**GOVERNMENT DAY**  
For a very small price you will learn vital information concerning internet fraud and tax liens/releases

**Government Day is a huge return on EDUCATIONAL INVESTMENT!**

# Internet Fraud & Tax Liens/Releases

*Industry Credit Group Appreciation Seminar*

**\$25 Industry Group Members**  
**\$45 Non-Group Members**  
(Buffet Lunch Included)

**Thursday, December 7th, 8 a.m. - 1 p.m.**  
Red Lion Hotel, 161 West 600 South  
Salt Lake City, UT

## Some Topics of Discussion:

- What types of liens may be filed? Sales tax, use tax, & income tax
- At what point do delinquent taxes become liens and what criteria are followed?
- How are debtors notified—how many & timing of notices. Can a tax lien be placed without a debtor knowing?
- Enforcement and execution of lien & judgment. What assets can be seized? Insolvency or bankruptcy—what priority is taken?
- Warning signs that show a company may be having tax problems
- Release of lien—what does this mean to a credit manager who is considering credit?
- Who to call for information on tax issues
- Are you and your company safe from internet fraud? Current statistics
- Are you or your company a victim? Who do you call?

**What You Don't Know Will Hurt Your Company!**

7 – 8 a.m. **Registration/Continental Breakfast**  
 8:15 – 9:30 a.m. **Utah State Tax Commission**  
 Wendy Gianchetta, Assistant Dir.; Dee Talbot, Dir of Tax Services & Sally Knighton, Education Coordinator  
 9:45 – 11 a.m. **Federal Internal Revenue Service (IRS)**  
 Advisors M. Kay Moncla & Maureen Neal  
 11:15 – 12:30 p.m. **Federal Bureau of Investigation (FBI)**  
 Special Agent Corey Hubbert  
 12:30 p.m. **Buffet Lunch—Drawings/Award**

Sign up through Georgette, 487-8781, ext. 116

## NACM Credit Boot Camp

### Basic Combat Training In Credit Survival Skills

**Are YOU Prepared? It's a Credit & Collections Battle Out There!**

#### Jan 10

Collection Calls:  
What really works!

Time: 7:30 – 9 a.m.  
Dates: January 10, 17, 24, 2007  
Location: NACM BCS Office  
7410 Creek Rd., Ste. 301  
(1130 East)  
Sandy, Ut.  
\$20/session or \$50 for all 3  
Non Members, \$50/session

#### Jan 17

Credit Policy & Credit Application  
Protection For Your Company!

#### Jan 24

Credit Reports:  
Read, Interpret & Utilize  
Everything On A Report

- Essential communication skills
- Guidelines for effective collection calls
- Personal guarantees
- Refusing credit
- Collection policy & procedures
- Terms & conditions of an open account

By Nikki Brewer, Interior Solutions:

“When my boss asked me to attend NACM Credit Boot Camp, I told him that I was experienced and didn’t need boring seminars! He asked me to humor him and go anyway. I came back from Boot Camp with so much new information that I’ve attended the full series twice. I’ve also attended most of the NACM seminars since attending my first Boot Camp, and I’ve learned a lot!”

Instructors:  
Dean Wangsgard, CCE  
Dave Sekino, CCE  
Scott W. Lee, CCE



Boot Camp Sergeants:  
Dean Wangsgard, CCE &  
Georgette Bevan, CCE

## BECOMING A BETTER CREDIT MANAGER THROUGH SALES

By: Tammi Russell, CCE  
KSL TV/Bonneville SL Radio

Socrates put a question to his students: Who knows the most about making a bridle? The man who designed it? The workman who put it together? Or, the rider who has to use the bridle on the horse? And, of course, each student had a different answer. Socrates' answer was that the man who designed it knew what he wanted to accomplish. The man who put it together knew what was practical. And, the man who used it was the only one who could judge its real practicality and workability.

The sales department is much like the man who uses the bridle. The credit manager is much like the man who put the bridle together. And, management is much like the man who designed the bridle. All three have their ideas, but none of them by themselves could arrive at the perfect bridle with only their knowledge.

Socrates was drawing an analogy to government. You have the designer of the laws, which is management; the maker of the laws, which is the credit department; and, the implementer of the laws, which is the sales department. Please indulge me for a moment. I'm not trying to draw a political battlefield, just trying to make a point.

Let's pretend that the credit department is republican steeped in tradition. We are conservative and we believe the best defense is a great offense. We think everything should have a point system. We are cautious and slow to change.

Now let's pretend that the sales department is democrat. They are free-wheeling and liberal. They question and challenge everything. They think everything should be equal. They shoot from the hip and are quick to change.

So, what can we do as credit managers, to become better at our jobs in working with the sales department? We have seen time and time again, that two parties with the unwillingness to change and compromise have led us nowhere. No one wins, no one is better off and nothing happens without the willingness of compromise and change. We spend most of our time blaming the other side for the problems that occur and not enough time on the solutions. In other words, both sides become stagnant and business does not move forward productively.

In order to get the most cooperation out of our sales department, the credit manager has to be creative in their method of putting the bridle together. Just as one bridle is not going to fit every horse, one change is not going to fit every sales situation. We need the cooperation and input from the sales department to make changes that really mean something. After all, they are the ones trying to sell the bridles that we and management have created.

In many ways, the credit manager's biggest job may be to be as good a salesman as the sales department. After all, payment is part of the sale. In fact, it is the final objective of the sale. We as credit managers need to occasionally change our way of doing things. We need to sharpen our sales skills to become more effective as credit managers. How can we sharpen our sales skills and help build a better working relationship with

sales if we don't understand what are the goals and objectives of the sales department?

I would like to suggest you take the opportunity to go out on a few sales calls with your sales people. Learn first hand what they have to do to accomplish their goal of selling that bridle. Also, it gives you the opportunity to find out more about your clients. What are their business challenges? You could attend the sales meetings every now and then as an observer. Attending an occasional sales meeting will keep you in touch with the focus and objectives of sales. And, doing so might help you understand the practicality and workability of the systems (bridle) you have put into place.

You may learn that there is something in your system that needs to be changed to become more effective. By taking the time to work more closely with the sales department, you will also give the sales department the opportunity to understand and work more closely with you. I have been on sales calls where one simple observation or idea made by me has been helpful and accepted by both the customer and the sales person. It also has helped when it came time to collect payment if a difficulty has arisen. I have already established a more personal relationship with the client.

Just as sales needs to build trust with the clients to make a sale, we need to build trust with the clients and the sales department to make our jobs more productive. What better way than to become a more active member of the sales team?

## Recap November 9 ICEL Luncheon

by Caryl Nielsen, CBF  
Valley Glass, Inc.

This month's ICEL Topic was "Grenade Negotiations." Our speaker was non-other than Marine Veteran, James Jackson. Mr. Jackson is a 4 time winning Best Humorous/ Inspirational Speaker in Toastmasters District 15. Mr. Jackson has numerous accreditations and has been a Professional Instructor for the United Nations.

Mr. Jackson inter-mingled his military experience with modern day business negotiations. He was indeed a humorous and inspirational speaker.

Mr. Jackson started off by telling us a story about a parrot and an individual that were at odds with each other. Day after day, they had conflict due to the parrot's bad behavior. One day the individual picked up the parrot and threw it in the freezer. After awhile, the individual heard a loud noise coming from the freezer. The individual looked in and took out the parrot, who was apologizing over and over for his bad behavior. The parrot asked the individual; "can I ask you one question?" "Sure" said the individual, "I would like to know what the chicken did?"

Mr. Jackson asked "What motivates us?" "If you always do the same thing over and over again, why do you expect different results?"

Mr. Jackson had placed a common #2 pencil at each place setting, at every table. Each table had one unique eraser on it. He requested each person that was holding the #2 pencil with the unique eraser to get up and give a 5 minute class on a #2 pencil.

Each individual presented their class. They gave us the following lessons:

1. Joe gave us a description of the pencil
2. Tyler gave us his heartfelt feelings on the pencil
3. Jared (a visitor) gave us complaints on the pencil

Mr. Jackson gave us his presentation of the #2 pencil as the best communication device in the world. The point being that everyone has a different personality, which brings forth a different version.

Know what type of person you are talking to. There are Four (4) types of personalities. They are:

1. The get it done person
2. The get it right person
3. The get attention person
4. The need to know person

Everyday we negotiate with a hand grenade. Creditors are the negotiators and our customers are like a hand grenade.

You need to learn how to talk to a person not at them. You can ALMOST accomplish something, but do you want to always achieve ALMOST? ALMOST ONLY COUNTS IN HORSESHOES AND IN THERMONUCLEAR WARFARE. Never settle for ALMOST.

The word ALMOST stands for the 6 steps to negotiations:

- A – AGREE TO AGREE (common point with the customer)
- L – LISTEN TO THE COMPLAINTS (gives you a starting point for negotiations)
- M – MENTION SOME IDEA'S (ways to come to an agreement)
- O – OBSERVE WHAT HAPPENS (listen to customer's response)
- S – SOLVE THE SITUATION (What are your solutions within company policy)
- T – TERMINATE THE CONTRACT (Give a final date for solution)

Mr. Jackson left us with these thoughts; Think about what you say during a conversation. Your goal is to get the customer to the light at the end of tunnel. Negotiations are very important. You don't ALMOST want to LOOSE and you don't ALMOST want to NOT SUCCEED.

## Education Makes You More Knowledgeable & Employable

by Bonnie Snider, CCE  
Alder Sales Corp.

It is time to register for Spring Semester, 2007.

We have such a great opportunity to learn credit management through our excellent teachers and many opportunities to grow. Of course, this all leads up to obtaining the credit designations of CBA, CBF and CCE. I know taking these tests can seem intimidating but obtaining these designations can make a difference in a future job placement either with a new employer or at your current place of employment.

Education makes you more knowledgeable. You may know how to protect and collect money that is owed to your company, but education makes you more employable. As an additional bonus, education improves your self esteem. Perhaps that is the most important aspect of all. You will always have that knowledge and you will know you are valuable to your company.

**Classes start January 8  
Scholarship applications  
to Georgette no later  
than December 5, 2006**

## Christmas Service Project Candy Cane Corner

by Shane B. Inglesby, CCE  
Geneva Rock Products

As a reminder, the Intermountain Credit Education League will be supporting Candy Cane Corner for our annual Christmas service project. Please plan to help by bringing new unwrapped gifts including toys and/or clothing items to our meeting on Thursday, December 14th. Cash donations will also be accepted. Checks should be made payable to the Road Home or the

YWCA. All items will benefit participants in programs provided by the YWCA and the Road Home; i.e. Domestic Violence Shelter, Transitional Housing Programs, Teen Home, Salt Lake Community Shelter, Self Sufficiency Center and Winter Overflow Shelter

Candy Cane Corner provides a store-like environment where less fortunate parents can still have the opportunity to shop for appropriate gifts for their children. All "shoppers" are pre-screened to verify the need for the gift services that Candy Cane Corner provides.

Volunteers are also needed to assist in sorting and organizing donated items and in wrapping gifts. If you can help, please call Jan Smith at the YWCA at 537-8601. Leave a detailed message and she will call you with times that are available to help.

Please support the ICEL Board by helping to bring some holiday cheer to those who otherwise would go without.



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