

IN THE MANAGEMENT OF THE COLLECTION OF RECEIVABLES REASONABLE ANGLE BALANCE

Customer Loss Reflex, Aside from delaying the receivables increases the financial pressure on the costs, the customer is lost just then.

Debtor Customer Reflex, when it reaches the ability to pay in cash, turns to alternative suppliers that apply discounts with cash advantage instead of paying their debts.

Mustafa ALPAY

 : 0000-0002-0551-5025

Private Sector CEO, Turkiye

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ABSTRACT

What makes businesses valuable is that their sustainable balances are moderate, that sustainability is not only in the intellectual capital, quality production or niche product sector, but also that the frequency of collection of receivables on time without affecting the profitability is strong. One of the main problems of today's businesses is that they focus on production without considering the collection aspect and continue their production by completing their missing capital from financial institutions due to their reliability. However, the more the follow-up part of the collections is neglected, the financial burden of the enterprises will increase at the same rate. In order to prevent these losses, it will either increase the prices of the product it produces compared to its competitors or gradually lose its assets and withdraw from the market. The negligence in collection, which gnaws at the assets of the enterprise, is due to the neglect of visibility and traceability in the receivables follow-up. Therefore, the necessity of a more understandable and visual method is essential to create a sensitive theme. In order to make this point visible, this article has been written in order to contribute to financial management, which is the most important problem of our businesses.

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Introduction

The most advanced form of legal structure is an organization with a company name. For this reason, there is no life limit in the articles of association of the company and an indefinite form of establishment is preferred. Uncertainty is the desire to live for generations, the limitlessness of imagination includes productions and consumptions. Today, industrial production has moved away from belonging to any country. Therefore, it is not possible to talk about a local employment cluster in the country where the brand belongs. If there is a place where the workforce is attractive, the direction of production is shifted there and employment is provided there.

For this reason, while calculations are made to protect from the competition, profits are tried to be protected, that is, competitors and costs are on a global scale.

This permeability, moving away from the necessity of a country, has also led to the emergence of globalization. Therefore, country borders cannot affect production, profit and employment 100%. However, increased independence in terms of production and marketing has created another dependency. In the face of the consumer's tendency to selectivity and the pressure of not being able to manage the selectivity process adequately, it has made the consumer dependent on the brand by putting this responsibility on the brand. Companies that closely monitor the impact of consumer trends on sales trends and therefore profitability, maintain brand awareness and trust as one of their primary operational strategies to ensure loyalty. This strategy priority also entails bearing the cost of energy, the environment, and other factors that affect production. In line with this cycle, the concept of financial balance has made the controlled management of cash flow, namely "financial competence", more important than production, marketing and sales units for sustainability. It is inevitable that all other balances will deteriorate when the necessary attention is not paid to the financial units of the enterprises. When the open source data of the Union of Chambers and Commodity Exchanges of Turkey (TOBB) are examined, the number of companies that have stopped their activities is quite high (www.tobb.org.tr). One of the prominent reasons in the analysis of closing companies is the disruption of the cash flow balance followed by, for example, the attempt of a cash linked business that does not pay satisfactory wages. Performing amateurishly with amateur personnel instead of equipped personnel. In the hierarchy of priorities, it is inevitable to focus on customer satisfaction, quality/price balance, and to make sacrifices within the framework of maturity/profit relationship, and this sacrifice will inevitably lead to the collection of receivables. However, the costs of receivables based on forward sales increase the additional collection expenses day by day and erode the current profit. Instead of increasing these costs, the strategy should make it valuable to be able to follow up with a reasonable angle balance during the production phase. Otherwise, the mistake of sacrificing quality to protect profits will drive businesses into bankruptcy.

The primary reflex of a business is to find a way to collect its receivables and to protect itself from capital erosion. Especially in the inflationary market, the finance unit should step in so that the overdue receivables do not consume the capital, advanced software technologies and regular follow-up methods can be used.

Methods that can avoid forward sales can be adopted, if necessary, the collection period should not be extended by giving up profits with discount incentive methods. Unpaid receivables not associated with profit are additional financial burden that negatively affects working capital. Weakness of control causes disruption, even in businesses that are thought to be profitable.

When the financial summary tables are analyzed, it is seen that the sum of overdue receivables, which are not considered important, also provides profit. It is true, then, that financial costs erode working capital. Violation of the foreseen maturity and ignoring the imbalances in cash flow also increase the need for capital. This means that the archer unit leaves the position on the operational front and can adversely affect the terms of payment.

Failure of businesses to take measures in this regard will increase their financial costs and may even lead to bankruptcy.

Management should take care to subtract the time between the profit rate from sales and the maturity balance from the old credit band.

This attention is only possible with mathematical data, reporting is of great importance in every aspect, if financial statements are analyzed within the framework of accounting data, changes can be followed with a graphical technique. Reasonable ANGLE can serve as a kind of signal flare for financial stability.

Literature

When the open source data of the Union of Chambers and Commodity Exchanges of Turkey (TOBB) are examined, the number of companies that have stopped their activities is quite high. Under the heading "General Statistics by Regions" for the period of December 2021, the total number of companies, real persons and workplaces opened in Turkey is 9,905, and the number of businesses closed is 4,057, which corresponds to a high rate (40.96%) (www.tobb.org.tr).

Orhan Turan, President of TÜR KONFED, one of the officials in the field of economy, "The most important problem of the economy, especially SMEs, is risk management, collection, cash flow and inability to access finance", (access 20.10.2020 www.dunya.com). He drew attention to this problem once again.

2021 ARALIK AYINA AİT KURULAN ve KAPANAN ŞİRKET İSTATİSTİKLERİ							
		Şirket Türleri					Genel Toplam
		Anonim	Kollektif	Komandit	Limited	Kooperatif	
Kurulan	Sayı	1.395	4		8.375	131	9.905
	Sermaye (TL)	2.870.481.426	2.260.000		5.579.362.025		8.452.103.451
Sermayesi Artan	Sayı	2.925	18	1	8.770	2	11.716
	Eski Sermaye(TL)	288.110.346.755	15.000.710.000	0	778.772.150.749	200.000	1.081.883.407.504
	Yeni Sermaye(TL)	937.453.482.739	5.486.028	46.200	66.424.607.900	200.000	1.003.883.822.867
Sermayesi Azalan	Sayı	-	-	-	-	-	97
	Eski Sermaye(TL)	-	-	-	-	-	3.824.278.407
	Yeni Sermaye(TL)	-	-	-	-	-	4.037.572.123
Kapanan	Sayı	697	9	3	3.094	254	4.057

Kaynak: Türkiye Ticaret Sicili Gazetesi

Although these statements are important, they also confirm the literature reviews. When we look at the reasons for early closure of companies, the main reasons for chronic liquidity problems are delay in payment, breach of contract terms, delay in blood circulation of the business and at the same time insufficient. . to pay the due debts on time (Akkaya and Tükenmez, 2013). Again, the fact that the need for working capital is not taken into account when starting the activities revealed by the literature reviews confirms this problem.

Bankruptcies occur due to the most important mistakes made by the business management, the inadequacy of receivables and debt payment conditions (Access 23.12.2020, www.paraborsa.net), the inability to find investment loans in early entrepreneurship structures. (Access 20.10.2020 www.capital.com.tr). It can be said that the problem of collection of receivables is a general problem not only in Turkey, but also in developing countries and even developed countries.

The trade regulations of the most advanced economy allowed US businesses to collect their receivables from private entities to solve this problem. After the legislative regulation, collection in the USA is carried out by professional agents instead of traditional collections, collection agencies have become a sector and the demand for debt collection services has increased. Consumer Financial Protection Bureau (CFPB) Survey report, January 2017). According to the same report, debt collection agencies provide approximately 17.5 million jobs. (Caramat, P. and Stephan, P., 2018)

Sellers who do not follow up their receivables sufficiently during the collection process; Fearing that if he does not sell, he will not be able to continue his business, and if he sells, he will not be able to collect his receivables, he tries to save the day he is in by giving up his future plans. In this narrow framework, the fear behind the slippage of businesses is the concern of losing customers. Worried about this loss, the operator is worried about both production balances and extinction. But above all, the hopeful aspect of the current situation is that financial management, which in many enterprises does not

need to be monitored in a separate unit, is now appreciated as the most important unit that cannot be ignored.

Money is Timely Valuable

Regardless of the scale, the collection of receivables, that is, the time value of money, is a very important criterion in a business. Failure to save time of money reflects badly as a loss of completion in two ways and increases the cost of completion. It is designed for applications evaluated by users, to be used for a criterion to be designed with the purchase of devices.

It consists of inborn time (interest burden) and negative effects from production to marketing, from purchasing to collection of this receivable from time to time. The desire is to collect the source of the state money before it arrives.

In the case of the counter unit, we will renew it to the detriment of the customer. It is extremely bright in sales and sales of products that have been revised against the customer. The thesis of this article is that a drawing with the graphical "reasonable angle" technique can contribute more to financial management, the emphasis is on the ability of the enterprise to achieve the goal of economic growth.

It was obtained from the address kazakbank.com.tr.tr, which is smuggled due to use, use and deprivation of use. The spent value of these losses and the investments to be made in the future business have been reviewed with a "net assessment". The leverage applied to these two economies is "(1) investing in expenditures for fixed assets, (2) monitoring their (working) capital as well as expenditures for variable values.

The payoff from actively monitoring ensures that collections are prioritized to protect money. What we need to invest in working capital is so they can maximize payment practice due or turn into little cash for us to settle a payment.

Working Capital

Although the benefits of working capital differ in capital-intensive and labor-intensive activities, it is the performance of the business to meet its returns without interrupting operations even when it is stable, i.e. no sales.

Working capital = Current assets - Current liabilities

- It reduces the risk of interruption in production and failure to fulfill its obligations.
- Captures the advantages of growth opportunities in times of crisis,

- Increases the company's rating by making the credibility ratios visible in banks.
- Increases operating profitability by ignoring the financial pressure that must be endured.
- It continues its activities in comfort with similar advantages that are not limited to these.

There is no free activity inherent in the business, but excess capital has its drawbacks.

Working Capital Below the Optimal Level

- The fact that the working capital is less than necessary increases foreign dependency and interest rate risk (Güdelci E. N., 2016)
 - High margin jobs cannot be offered as the required stocks cannot be kept at the optimum level.
 - Relationships with stakeholders (banks, suppliers, shippers) weaken the hand of the business.
 - ✓ When banks see a low credit rating and credibility, they apply for high loan rates.
 - ✓ When suppliers feel financial weakness, they ask for collateral rather than relying on their delivery.
 - ✓ When shippers cannot find regular shipments, they will offer higher shipping rates than businesses that find regular shipments.

As a result, the shortage of capital will make the trend of increasing expenses visible and the business will fall into competition. In the event that its future commitments are interrupted, it is exposed to the risk of additional compensation due to its commitments.

Working Capital Above the Optimum Level

Excess or lack of working capital are also factors that negatively affect growth. Excess working capital is one of the factors that negatively affect profitability in terms of opportunity cost or alternative cost (kendirli S., Konak F., 2014).

- There is a growing stock with a disproportionate stock. In the case of stock, insurance, obsolete product, according to the risks of deterioration and deterioration.
- It is the collections that must be more than the needs of the business and the sales are started to be financed like a bank with unplanned purchases.
- Collection extends the maturity of receivables.

Excess money and the risk of lack of money are factors that control businesses. An ideal business is one that can manage its working capital at the optimum balance between risk and profitability.

Activity (Efficiency) Rates

Close monitoring of the activities has always been considered important, and many calculation methods have been used to measure and monitor the efficiency of the activity within the scope of the recorded data. The main formulas in ratio calculations are as follows.

- Debt Turnover = Net Credit Sales Amount/ Average Trade Receivables.
- Average Collection Time=365/Credit Turnover Rate
- Debt Turnover=Cost of Goods Sold +DS Stock-WB Stock/Trade Payables.
- Average Debt Payment Period=365/Debt Turnover Rate
- Current Assets Turnover: Net Sales/Current Assets
- Working Capital Turnover: Net Sales/(Current Assets-Short-Term Liabilities).

This provides better results in images of events that are important to seemingly simple events.

Accounts Payable Turnover Rate

With this ratio, it is monitored how many times the average commercial receivables are sold on credit? It is desirable that the debt turnover ratio is low and the accounts receivable turnover ratio is high so that a business does not encounter a liquidity problem (Güdelci E. N., 2016).

With this calculation, it is interpreted as how long it takes customers to pay back on average and how long it takes to collect receivables during a financial period. In order to be able to measure the collection efficiency of receivables in a financial period and to see that they are converted into cash quickly, the turnover ratio calculation should be done continuously. As in every evaluation, competitor behavior should be taken into account in the calculation of the turnover ratio.

Receivables Turnover = Net Sales / Short Term Trade Receivables + Long Term Trade Receivables

Unpaid Account Receivables on Time

Receivables represent the balance of money held for goods and services that have not yet been completed.

Due at time = [Amount] x [interest %] / [365 days] X [number of days outstanding]

Formation of receivables refers to amounts not yet paid to creditworthy buyers. Receivables are credits customary to the customer from the moment of sale to the customer, “the loan cannot be indefinite”. should be charged for production and distribution service.

Days Sales Outstanding-DSO

For the continuation of the businesses, the cash flow balance should not deteriorate. Having cash with the customer also requires collection costs to collect it. In this case, the cost to the enterprise is increasing day by day.

Number of Unpaid Days = (Collection Amount/Invoice Amount) X number of days in the relevant month

Sample; Company A sold a total of 3.000.000₺ finished goods and collected 2.750.000₺ in January (31 January), Company A's calculation of the number of unpaid days in January: $3.000.000₺ - 2.750.000₺ = 250₺$

$$\frac{2.750.000₺}{3.000.000₺} \times 31 = 0.91 \times 31 = 28.41 \text{ days/paid part.}$$

$31 - 28.41 = 2.59$ days that cannot be collected despite the sale are expressed as “unpaid days”. Company A loses 2.59 days when liquidating its receivables. The number of uncollectible days is carried over to the next month, sold during February + continues to be collected from January.

The same Company A collected 800.000₺ from product sales of 900.000₺ in February (28 February). Hanging 2.59 days from the previous month /250.000₺

$$\frac{800.000₺}{900.000₺} \times 28 = 0,69 \times 28 = 19,47 / \text{days/paid part. } 250.000 + 900.000₺$$

The remaining part that cannot be collected even though the sale is realized is $28 - 19.47 = 8.53$ days.

Under normal circumstances, if there was no deferred collection from January.

$$800,000/900,000=0.88 \quad 0.88 \times 28=24.88/\text{day collected.}$$

It would be $28 - 24.88 = 3.12/\text{day February collection.}$

250.000£ from January + 100.000£ from February to uncollectible receivable = 350.000£ This figure has an invisible expense to the financial cost of the business.

Attention; What is the “working capital/month” balance of company A? If it is a sector with high profitability, the working capital erosion process is different, if it is a sector with low profitability, the wear process will be different, the risk multiplier is different according to the structure of the sector. The possible sag (profitability/balance interest rate) should not exceed the acceptable value.

Collection Effectiveness Index (CEI)

Collection Effectiveness Index (CEI), While collecting from customers, it is desired to collect all of them in a certain period of time, but some of them can be collected. The ratio method that compares these two values is called Collection Efficiency Index. It is aimed that the collected amount is close to 100%, when this rate is achieved, it is accepted that the collection has increased to the desired level.

In customer productivity analysis, "Days Sales Outstanding" (DSO) method is used.

Definite period formula $(IR+MCS)-TTR / (IR+MCS)-ECR = X100$

The 1-year term formula. $(IR+CS)- TTR / (IC+CS)-ECR = X100$

An example for the first fiscal period:

Period Months	Credit sales (CS)	Collection of Total Receivables (CTR)	Termination of Current Receivables (TCR)	31-60	61-90
January	3.390	6.200	3.345	1.795	1.000
February	3.610	6.000	3.560	1.550	825
March	3.890	6.340	3.590	1.800	900
Total (January-March)	10.890				

(www.creditguru.com)

- Monthly Credit Sales (MCS) refers to sales made that month.
- Settlement of Total Receivables (STR) are all open receivables, including current and overdue receivables (end of the month of sale before collection is complete).
- End of Current Receivables (ECR) period-end current receivables are definitely not overdue short-term receivables.

Period= January-February-March (3 months)	N=3
Monthly Credit Sales (MCS)	=10.890
Initial Receivables (IR)	= 6,200
Total Termination of Receivables (TTR)	= 6.340
End of Current Receivables (ECR)	= 3,590

Definite period formula $(IR+MCS)-TTR / (IR+MCS)-ECR = X100$

$$\begin{aligned} & (6.200+10.890)-6.340 \\ & \text{-----} = *100 \\ & (6.200+10.890)-3.590 \\ & 17.090-6.340=10.750/17.090-3.590=13.500 \\ & 10.750/13.500=0,7962 \\ & 0,7962*100=79,62 \quad \text{CEI endeksi} \end{aligned}$$

While a business desires a CEI index close to 100%, working capital requirements are different for capital-intensive or labor-intensive activities. A CEI of 50% or less should be considered low. The most important detail in the CEI index is the weight of the invoices. **Collection Effectiveness Index (CEI)** Suppose a business has two overdue invoices; one is 100£ with 1 day delay, the other is 1.000.£ with 45 days delay. (Note: If the average of overdue invoices is evaluated only on a daily basis, the magnitude of capital depreciation cannot be clearly established.

Operating Costs of Overdue Receivables

A business that has a cash flow problem first loses its profitability and then its capital with the erosion of the financial cycle, that is, the business is an invitation to euthanasia. A business incurs additional costs in terms of administrative, interest and time as the receivable matures.

- **Administrative Costs:** Waste of time with correspondence and phone calls for collection, additional staff for annual record keeping and unforeseen costs.
- **Financing Cost:** The interest cost that an activity pays on financing if it is unable to collect its receivables to pay its overheads.
- **Time Cost:** Late collection of receivables, decrease in purchasing power of money. Revaluation should be made using the discounted cash flow (DCF) method.

In the research conducted by Harvard Business, the calculation of the indirect costs of receivables; Negatives such as “bad debt”, “predictiveness” and “lack of opportunity” were also added.

1. **Bad Debt:** Selling to a customer with no intention to pay identifies bad debt. The receivable period is long, even if it is collected, it never meets the initial purchasing power.

2. **Forecasting:** In a business with uncertain collection consistency, cash flow consistency is very difficult to predict.

3. **Lack of opportunity:** The business's money is tied to accounts receivable, if the collection uncertainty is long, it does not take advantage of potential opportunities for expansion, marketing, investments.

Managing accounts receivable of businesses requires administrative follow-up, personnel and time. Some of them can be tracked with package programs, but (e-mail, update of records) personnel and time costs are inevitable.

Percentage of carrying cost of accounts receivable to businesses				
Cost element	30 days	60 days	90 days	120 days
Time	0,82	1,63	2,44	3,22
Management	0,00	0,50	1,50	2,00
Opportunity	0,00	2,50	7,50	12,50
Predictability	0,00	1,00	1,00	1,00
Financial	0,00	0,66	1,30	1,99
Bad debt	1,00	4,00	6,00	10,00
Total	1,82 %	10,29 %	19,74 %	30,71 %

A study presented in the journal Healthcare Financial Management, a table estimating the cost of costs such as time, administration, opportunity, as a percentage of the invoice amount in 30, 60, 90 and 120 days.

Calculation of accounts receivable delay day cost

Example: The amount of 50,000£ from a business is collected on the customer gradually (20,000£-15,000£-10,000£ and 5,000£) between 30-120 days.

20.000£ collection in 30 days	% 1.82 x 20.000£	= 364.00£
15.000£ collection in 60 days	% 10.29 x 15.000£	=1.543,50£
10.000£ collection in 90 days	% 19.74 x 10.000£	=1.974.00£
5.000£ collection in 120 days	% 30.71 x 5.000£	=1.153,50£
		= 5.417.00£

The cost of your outstanding 50,000£ receivable is 10,83% in total percentage (5,417.00/50.000=10.83). Aside from the effort spent on collection, the allocation with a 5% early payment discount instead of waiting for the receivables provides 6.83% more profit as well as administrative, financial and time advantages.

Opportunity Costs of Waiting for Payments

It represents the cost of lost opportunities due to not being indebted that can be invested in growing a business. To calculate this

$$\text{Formula} = [(\text{Accounts receivable} \times \text{Rate of return})] \div 365 \times \text{Debtor days}$$

How to calculate days-to-pay: The variables used to calculate days-to-pay are accounts receivable and annual credit sales. Calculating debtor days;

$$\text{Formula} = (\text{Average Accounts Receivable} / \text{Annual Credit Sales}) \times 365 \text{ days}$$

Example: if the company's annual credit sales are \$250,000 and average accounts receivable is \$25,000, $(25,000/250,000) * 365 = 36.50$ days are debt days. Payment period If the contract is signed with a maturity of 30 days, there is $36.50 - 30 = 6.5$ days late payment days. If the payment period is 15 days, it means that there is an average of $36.50 - 15 = 21.5$ days/late payment days. The main purpose of all these calculations reflected in the literature is the efforts developed to transfer a business with optimum profitability from generation to generation.

Sustainable Business

Decisions that cannot be taken are as important as the decisions taken in order to establish a system in enterprises. The main logic in the system is the entirety of the acceleration that the enterprise will take when the performance of all the possibilities, business management and the decisions of the professionals are activated. In this direction, businesses that establish the system for maximum growth in the business and its repeatability are considered sustainable. Although the current resources are considered financially, the main locomotive is human resources, both cash and time are important in this process, so the human merit is accepted who can manage both time and cash. But more important than installing from a system is its cyclic repeatability. Sustainable system means the ability to maintain functional processes in terms of productivity now and in the future (Chapin, Torn and Tateno, (1996). Quoted by Yavuz V. A., 2010). It is the systematization of the system, which is carried out by the decisions of the employees who are given responsibility, at the same time the traceability stages. A succinct word for repeatability,

“Permanent benefits are not expected from periodic successes, while periodic failures can create permanent losses.”

Sustainable Cash Flow

It is the account of money entering and leaving cash in an active business's safe for a certain period of time (monthly), the efficiency of this money is expressed as "positive cash flow" of cash in and money out as "negative cash flow". According to this equation, periodic and total annual profit calculation is tried to be measured over cash flow. Cash flow is important in every sector. According to sectoral differences, even if the profit rate of forward sales is high, cash flow may be insufficient. It should be noted that the concept of cash flow and profitability should not be confused.

Finance providers want to see how long businesses can manage their cash crunch by testing their management ability with a stress test method. Success in testing depends on optimum management of cash flow and profitability. Cash flow getting out of control is another form of financial failure (Wruck, 1990). Therefore, if the accounting of businesses whose goal is profitability, neglects or records the data flow, all analyzes will be wrong, this will negatively affect everything from daily operation to the annual balance sheet. Recording the data on time and properly, monitoring the records daily instead of weekly will also make the erroneous records visible early. Since the "reasonable angle" technique will be reflected on the screen graphically, it immediately catches the eye of even managers with insufficient accounting knowledge, giving an early warning signal. For this reason, accounting should be in close contact with the finance unit so that negligence or mistakes do not grow. Another principle of sustainability is that while these organizations are running, the eyes and attention of the management should be on the market movements of their competitors. Ever since the commercialization of the exchange, these balances have always been pondered and rational balances have been tried to be achieved.

When the finance management sees the early warning, it can activate the precautionary barriers without giving the opportunity to complacency, on the one hand, it can postpone the payments to the suppliers, on the other hand, it can save the business from financial costs by pushing the collection periods of the receivables forward with discounts. This operation protects the credibility of the business and keeps non-urgent expenditures under control.

Systematic Supports of Sustainability

Strategy: For what purpose was the business established, where do we want to take it? What will be his position in 10 years?

Finance management: one of the most critical parameters is the traceability of finance. In fact, financial management is the reflection of your relationship and communication with your stakeholders on your assets.

- Focusing on Customers if you want to increase your income,
- If you want to reduce your expenses, focus on suppliers,
- If you want to increase your productivity, you need to focus on your employees.

Brand: It is an important reference in terms of sustainability, especially in the purchasing process, this awareness plays an active role, the consumer reflex is inclined to buy the brands they have experienced.

Systematic supports, such as production quality, sensitivity to consumer complaints, can be further increased, but ensuring that all these are traceable is a more effective strategy. If the rules of the system are not declared to the customers, suppliers and employees within the framework of the mission vision in a business, that business begins to be managed by customers, suppliers and employees in the chaos that arises. So, it is not enough to form a team, to stay as a team, to be involved in decisions, to take action by planning how the management will be in an action. While monitoring the implementation of the decisions taken in the previous meeting, care should be taken that the new decisions do not conflict with the previous decisions. The survival of the system depends on the preservation of its cyclical systematic, that is, not being insensitive to the erosion of working capital. Therefore, working capital should be maintained while setting new targets and revising status plans (Enqvist, Graham, and Nikkinen- 2014).

Effects of Inflation and Capacity Utilization on Sales

Surplus supply, which is one of the factors that positively affect production unit costs, does not have the same effect on profit. Its effect on unit costs is related to the reflex of protecting the capacity utilization rate. However, if he assumes the position of a retail seller, he has to sacrifice profits because he has to make concessions to his dealers and sub-sellers. To explain with an example;

Consumer demand 900 pieces/month cost 1000€,

10% gross profit

The monthly demand for the product (30 units/day) is $30 \times 30 = 900$ units/month in the cycle.

In a 20% inflation/year environment, the product cost will increase by 20%, the same 900 pcs/month 1000€ product will increase to +200€ inflation cost = 1200€.

At first (30 units/day), 900 units/month were demanded, but with the increase in prices for the same product, profitability drops from 10% (2% inflation loss) to 8%.

First, 90 units with 10% gross profit margin over 900 units/month sales. While the 20% increase in costs (at the rate of inflation) will affect sales and profitability negatively due to the decrease in the purchasing power of the consumer, the demand will decrease for a while.

Meanwhile, the negative moves begin

1. Risk-oriented move tends to reduce stocks by reducing production.
2. The producer side $(900 \times 10) / 100 = 90$ units/product will not be able to make a profit.
3. With a new move, it tries to protect its sales by reducing the profit margin to 8%. The result is the invariable cause; purchasing power has generally decreased.
4. While the raw material costs of the enterprise increase at the rate of inflation (200£/month), the capacity utilization rate decreases,
5. Unmanaged risk will be reflected in employment, while production will drop permanently, workers will be laid off in order to reduce operating costs.

The first reflexes of inflationary pressure will suffer from four aspects, with the concern of productive capacity utilization rate even though costs increase.

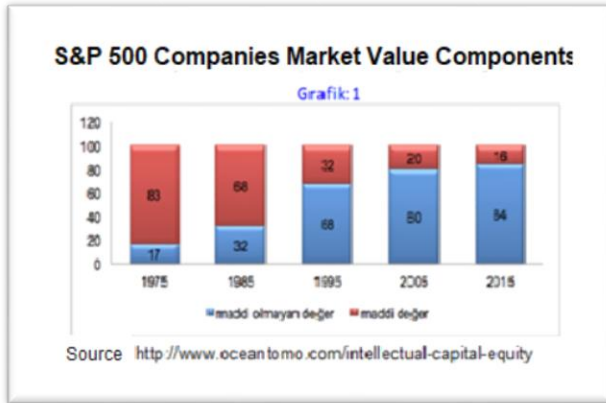
- Capacity utilization decreased,
- Profit margin decreased from 10 to 8 (20% loss)
- Working capital increased by 20%.
- Skilled Resigned to loss of Employment, negative employment.

It is the fourth-order damage that is most difficult to compensate. However, when viewed from the outside, it is interpreted as employee slaughter, and when conditions improve, the other three losses are easier to compensate. However, it is not easy to add qualified employees who are trained according to the business culture to the same team and to achieve the same quality of product production, and employees who leave the job will go to rival companies with their production techniques. Contrary to popular belief, the decision to fire a qualified employee is the most difficult decision for an employer. In order not to suffer this loss from the Four Columns, especially not to be deprived of talented personnel, the collection of receivables should not be melted in the face of inflation by paying attention to cash management.

There is a need for reporting in the face of situations that should be taken or avoided in companies, and today's businesses take care to make their decisions according to reporting data. Brand, patent, human resources, franchise and license investments increased 9 times of their tangible assets. Keeping such intangible assets up-to-date in the public for awareness and reliability contributes positively to the company's turnover, and the only way of being up-to-date is through surveys and reporting. (Aras G., 2021)

In Chart 1, the market value component reports of the International S&P 500 companies, in the reports published in 1975, 83% of the tangible assets were included in

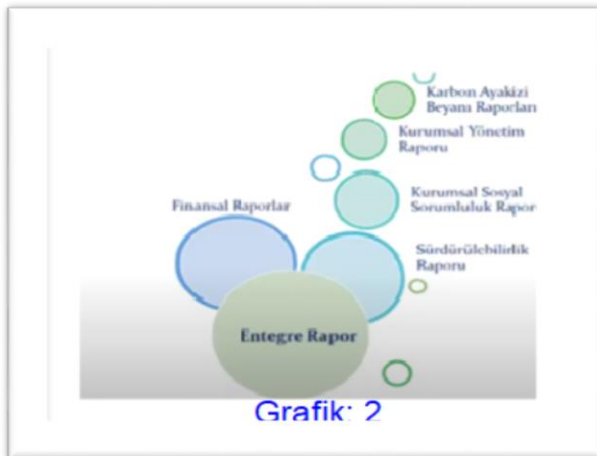
the reports, while 17% of the intangible assets were included. In the same chart, when monitoring is continued at ten-year intervals (2015), tangible assets decreased to 16%, while intangible assets increased to 84%.



In 2020, it changed 90/10 in favor of intangible assets. (Aras G., 2021) success in business management is noticeably prominent in businesses with strong intellectual capital.

The same graphic tells us that the world has evolved in this direction. The world's leading companies have shifted from physical assets to uncountable intellectual assets (Tseng and Goo, 2005). Although physical investments were still dominant in the 1980s, the balance in 1995 data was 100% reverse of 1985 data.

In order not to encounter all these negativities and not to skid again, the corporate approach has made the integrated reporting, which can be increased according to the headings seen in Chart 2 and the sector, more valuable. Being able to monitor these values graphically instantly will be helpful in determining reasonable ratios to cash flow, developing instant reflexes and making decisions.



One of the main problems of businesses is the problem of delayed collections. Reasonable ANGLE results to minimize this problem or prevent its further growth will be the beacon of planning for the future. Analyzing all these data by visualizing the organization's working capital, time value of money, cash flow concept, accounts receivable turnover ratio, unpaid days and collection efficiency index and not

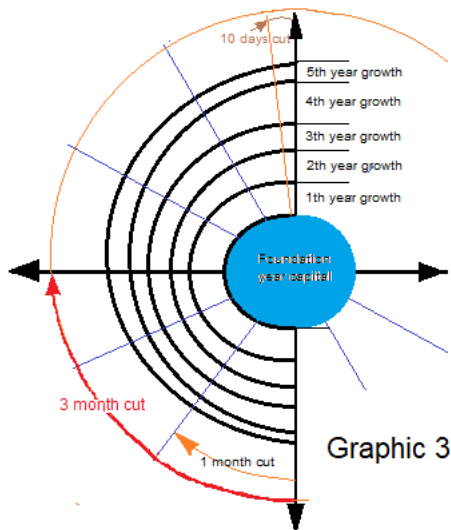
taking any action after the visual Reasonable ANGLE chart should also be evaluated within the scope of the weakness of the business management.

Maturity/ profit rate relationship

The factors affecting the price in a commercial operation may differ according to time and climate, it is important to take into account the behavior of the competitors while making the calculations for determining the costs. Although increasing the capacity utilization rates in order to reduce unit costs may seem like the right move as an action if it will not bring inventory costs, the sales target it will bring in the future, high discounts and maturity concessions, bearing the inventory costs of the enterprise or taking the risk of discount and maturity concessions are negative aspects. Although the increase in supply is a bearable situation, the inability to create the demand at the same rate writes the inventory cost to the business. In order to avoid the inventory cost, the marketing unit steps in with a panic reflex, increasing the sales targets of the field representatives, which can result in high discounts and stretching of maturities with side effects. As long as it does not end with this, bearing the cost of obsolete receivables will trigger the risk of further deterioration of the cash flow balance. It is more beneficial for a business to develop its financial management unit against such possible risks, and to walk with the account of qualified managers instead of imitating competitor behaviors in business activities. Unit prices and maturities determined according to competitor behavior rather than market realities, time costs of money, late collection costs, inventory costs, discount costs, additional personnel costs and logistics operations are the risks that drag the businesses towards bankruptcy.

In order to be protected from these risks, with the supply of long-term external financial resources, the enterprises should be moved to a rational-based, accurately traceable finance management, that is, the maturity/profit concession balance provided to the customer should be closely monitored. The protection of the maturity limits determined in the contract with the credit provided to the customers (term sales) means the preservation of the expected profit margin from the sale. The graphical follow-up of the predicted profit/term balance and the loyalty to the contract can be maintained within the framework of a reasonable angle. Reducing financial losses arising from the

disruption of receivables depends on the improvement of collection policies.



In order to reinforce the measurement and intelligibility of the concept, instant and retrospective traceability and future planability are envisaged with a spiral graphic (Graph 3). In this way, the abuse of the receivables provided to the customers as capital on maturity will be monitored, the additional financial burden arising for the uncollected portion will be clearly noticed, and time will be gained for the decisions and measures to be taken.

Reasonable Angle

The aim in economic activity is profit, its collection should not be delayed after the sales. In addition, this receivable will also have a collection process cost, and additional personnel costs will be incurred from the existing capital. While the cost of this process to the business is measured by the "unpaid days (DSO) calculation", the efficiency of the effort made for this purpose is measured by the "Collection Effectiveness Index (CEI) calculation". This measurement is a comparison technique that rates only what is "collected" from "what could be charged" in a given time period.

These technical calculations determine the different working method data of each sector as cash or deferred sales, the aim is to approach the data rate to 100%. After this difference is seen, the decisions taken according to the values that arise if the activity sector is selected and the supply and collection type (cash or deferred) is associated with the "reasonable angle" will also protect the business from being the bank of the customers. Business managers should focus on the effect of cash collection and ten-day collection on the profitability of the business, instead of focusing only on the "collected" part. Sensitivity of each sector can be followed differently. For example, the cash sale perception of the construction supplier (iron cement activity) and the cash sale perception of the textile ready-to-wear (men's suit) sector are different from each other. The follow-up of these differences should be followed carefully, while the time between the date of entry of the product into the inventory and the payment document issued for this product (purchase term) should be carefully followed, while the time between the delivery and the payment method from the customer (collection period) when it comes to sale. The collection period should never be longer than the purchase due date. Here, the technical method measuring this maturity can be followed visually with the "reasonable angle" graph.

This analysis technique will protect the time value of money, the advantage that the accounting records are presented to the financial management with objective and accurate data record, the "reasonable angle" graphic enables the risk to be seen early and precautions to be taken. If the collection cycle of receivables is tried to be carried out without the need for these technical methods, businesses cannot get rid of their dependence on credit institutions. If the purpose of strict follow-up is not to weaken the collection reflex and to follow the works that increase the probability of getting paid in parallel, it is an advantage to monitor the financial movement not only in numbers but also visually.

As long as the accounting data is reflected in the records in an up-to-date, accurate and complete manner in order to monitor the collection of receivables, the results of the financial analysis of the Reasonable ANGLE chart will provide a clear view of the current situation without misleading the managers. Collection capability is an important issue, so the numerical size of the receivables pending on the customers should be followed by comparing them with the profitability rate obtained from the same customer. When the

profitability/maturity ratio is correlated, it is also possible to monitor how much the financial cost of the outstanding receivable erodes the profit obtained from the same customer.

Effect of Financing Cost on Unit Prices

Businesses cannot always operate with their own capital, so they can find solutions to their financing needs in preferences such as partnerships or loans. If credit is preferred, two obstacles may be encountered, namely fund and market competition, the first of which is the interest pressure arising from the credit, which causes the production cost to increase. The other obstacle is the loss of competitive advantage in the market with high prices added to the cost due to financing expenses. The main purpose of collection is the protection of the financial resources of the enterprise, it does not fall on the supply of money again necessary for production. What percentage of the working capital is the collection amount that cannot be included in the cyclical process, and keeping it within acceptable rates is only possible if it is followed correctly. If the business's demand for cash is maintained internally, there will be no need for financial reinforcement, so the more credit interests and the possibility of their pressure on unit prices are reduced, allowing the company to maintain its market price and maintain its market share.

One of the factors that support sustainability is the price attraction in the market, the cash management strategy comes first among the factors that affect this attraction. In case the business receivables cannot be collected, its financial balance will deteriorate. With the deterioration of the financial balance, the need for more loans arises, and the problems of not being able to pay the loan installments arise with the current profitability. The untraceable cash flow is unmanageable, and the wear and tear of the unmanageable working capital's receivables that cannot be collected at maturity accelerates day by day. The main purpose of the business management is to be able to carry out its activities in accordance with the production and profit expectation, to be able to monitor all these instantly at any time, while delegating every task to the competent person in all units, leaving the collection process to the financial management. From all these data, it can be said that there is a strong relationship between sustainability and cash flow management.

Activity cycle

Regardless of the sector, the aim of a company is for profitability and growth expectation, the reward of those who can interpret their financial management correctly is to reach their goals. However, the financial pulse is sensitive and if it cannot be interpreted at the level it deserves, cash flow control can be lost. Even if it comes to the agenda of the management after the cash flow gets out of control and enters the final phase, let alone the growth trend, even the survival of that business is a miracle. At this

stage, the management will panic and make mistakes. In this case, the first mistake is to increase the production by ignoring the profitability in order to reach the previous turnover. The sales terms of the increased production are extended, and the process of bearing additional financial costs begins. The only reflex of the management focuses on demonstrating its presence in the market without being noticed by the competitors, and it prefers the tendency to consume all its energies in this direction. Decisions made with the move to protect their assets are decisions in a state of panic, so that even starting to attack sales with uncountable terms as a recipe for drying out in order to avoid inventory costs is also in the nature of responding to a fire with gasoline.

For the cash allocated to possible demands for these activities, the required working capital (Schilling G., 1996) is also charged with interest. The additional working capital cost will cause unit prices to rise. As a result of mistakes made one after another, it is useless to get caught in a financial spiral and lose its last capital to the customer with forward and highly discounted sales. Since all these results endured lose the ability to collect their receivables on time, the ending spiral is entered due to the fact that the forward sales are paved in order to avoid inventory costs. Trying to increase capacity without looking at profit and efficiency imposes additional inventory costs (transport insurance, warehouse additional workers) on the business, which is already unprofitable in the turbulence of competition. Before the management is aware of this process, the loan suppliers take action, and a face-to-face session begins with the warnings of the lawyers. Now that it's too late, finance is out of control and all assets in sight are registered with the trustees of finance and raw material suppliers.

While the cash flow is in a controllable threat situation before it reaches this stage, if it can find the opportunity to compare the capital it provides to its customers with forward sales with the profitability rate it has obtained from the same customer, it can change the direction of the bad course. Only in this way can the protection of the business be ensured without being exposed to extra financial interest pressure.

Systematic Parameters Supporting Sustainability

Weekly meetings with Agenda, Operations and HR (team) management, how the current productivity measurement is made and how much efficiency can increase if its ring changes. In Marketing and Sales management, consumers' perceptions about the business, channels of reaching customers and discourses that affect customers can be developed. In line with the process carried out to realize the sale, it should be ensured that the business can be measured periodically without waiting for the end of the period, and the values should be reached instantly. Qualified human resources should be trained to ensure early recognition of this financial risk situation. If it is aimed to realize the gravity before all these stages, the follow-up of the Reasonable ANGLE graphic balance should be monitored instantly on the screen of the business management, the results can be

monitored based on this article in line with these basic parameters, in addition, a financial software application should be made and presented to the service of the entrepreneurs.

Conclusion

As a result, the concerns of all businesses that have operated in the past and will continue to operate in the future are that they have compromised weaknesses due to the loss of customers in the collection process of their receivables. The reasonable ANGLE chart is intended for financial hedge on cost. In the activities carried out in the past, financial criteria such as the time value of money and inflation did not affect the erosion of enterprises as much as today, so it can be said that acceptable collection flexibility was more than today. With today's technology, it has become possible to display measurable calculations on the screen at an instant level, and it gives the opportunity to interpret the wear status on the basis of each transaction by monitoring the measurability and profit margins. Financial losses may be experienced in businesses that do not comply with the scale economy equation. A visual graphic output that will monitor the profit/term balance provided to the customer, which is the main cause of financial losses, may facilitate the implementation of measures in case the cash flow tends to deteriorate. Disruption of this balance results in the direct impact of loan financing against the unit price costs of the enterprise. If the collection of the prices of the products sold cannot be made on time, it also brings with it the cost of the time value of money. So, when we say sustainability, the balance of supply, production, distribution and collection should be well-structured, disruptions in collections should be prevented in a timely manner, and as long as prices continue to be offered to the benefit of consumers without incurring financial costs and protecting the profitability of the business, the life of the enterprises will also be extended.

The purpose of the methods such as "Accounts Receivable Turnover Ratio", "Number of Unpaid Days", "Collection Efficiency Index" used in their calculations in any sector is to monitor the Cash Flow Statement periodically. Existing monitoring methods should always be used to collect pending credits from customers in accordance with sales contracts. The purpose of monitoring is to ensure financial stability, to see the deterioration of cash flow early, to make the data needed to take action visible, and if a weakness is observed, measures can be taken. What we need to understand from what has been explained so far is not to abandon the previously used measurement techniques, but to draw attention to the introduction of the Reasonable ANGLE graph in order to make the invisible visible in the current calculation techniques better. Sectors have well-established sales and maturity methods in their own fields, although futures sales are possible, the construction industry and the food industry cannot be evaluated in the same formulation, and the terms and pricing may not be similar even between women's wear, men's and children's wear in the textile industry. It is the commercial and legal right of businesses to collect their receivables within the framework of pre-agreed sales rules of

businesses and contracted customers. It is also a systemic right to make the size of the violated angle visible beforehand in order not to violate these rights.

The way to take precautions for unpaid receivables is through early detection of abuse, and the most effective diagnosis is to monitor cash flow movements in detail in a single visual. Maintaining the sustainable structure of the enterprises is closely related to the balances, profit margins and maturities in the sector in which they operate, therefore, it should be followed by a separate Reasonable ANGLE chart application exclusive to the structure of each enterprise. It is important to install the Reasonable ANGLE graphic system in the financial unit and the management screen in the direct effect of the decisions taken or not taken in the enterprises.

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Author Contact Information

E-mail: siyasetbilimi2012@gmail.com

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