**Business to Business Credit Approval Process**

 All of us are familiar with Business to Consumer (B2C) transactions because we are involved in them every day. By 2020, Frost and Sullivan predicts that this market reach $3.2 trillion (USD). There is much less visibility and understanding of Business to Business (B2B) transactions. Yet the same Frost and Sullivan study predicts that B2B sales in 2020 will reach $6.7 trillion (USD). While Covid-19 may make these estimates a little high, B2B commerce remains a large part of the world’s economy. One of the differences between B2C and B2B sales is that almost all B2B sales are made on terms, meaning credit. Thus, if company A buys something from company B they don’t pay for it at the time of purchase but rather wait for company B to send them an invoice. Company B’s invoice specifies how much time company A has to pay the bill before incurring penalties. The payment expectation varies by region, a recent study of the Asia Pacific region indicates that the average in China is 37 days while in Japan its 47 days.

Credit is a continuing source of problems for most B2B companies. The friendlier the credit terms you offer your customers, the more sales you will generate. On the other hand, the more customer friendly your terms are, the longer it takes to collect your money which can cause you serious cash flow problems. The key metric companies use to monitor this balance is called Days Sales Outstanding. It represents the number of days of average sales it would take to account for all the currently unpaid invoices. To manage this issue, companies have policies and procedures for establishing how much credit they will give each customer. When a customer is ready to order, they contact a customer service representative (CSR) who checks if the total of the order is less than the total available credit that customer has. If not, a credit analyst usually considers how much additional credit, if any, might be offered. Then someone in sales usually makes the decision if this new business is worth the risk of extending credit. Your team’s assignment is to look at how this process works for Charlie’s Biscuit House (CBH). CBH is a wholesale manufacturer which supplies biscuits, cakes, boba, and noodles to tea houses globally.

Once you understand the process you will then identify the controls that CBH should put in place to ensure that CBH’s assets are protected, their credit data is available and reliable, and that the people involved in the process respect the company’s policies and the government’s regulations. This will all be seen by Christine Cho, the Chief Privacy Risk Officer, and Christopher Noa, the Chief Accounting Officer. Your team’s assignment will be broken into four parts.

You will be assigned a different part of the project on Days 4, 5, 6, and 7 and turn it all in, with your class presentation, on Day 8. This project will represent 20% of your final grade. The four parts for in-class are:

1. Understand the activities done in CBH’s current process.

2. Understand the data used in CBH’s current process.

3. Identify the business rules used in CBH’s current process.

4. Recommend the control objectives and controls that CBH’s should use insure positive outcomes from the credit approval process.