

E~Credit News

The Business Credit
Management
Association Wisconsin

December 2019

Inside this issue:

The Association Member Updates	2
Are You Prepared For CECL?	2-4
Credit Today Forum Discussion: One of my good customers wants us to drop ship our product to one of our past-due customers.	4-6
TGX Continued	6
Contact Information	7
Board of Directors	7
Industry Credit Group Meetings	8
Upcoming Events	8



"INCOTERMS 2020" Webinar
December 18, 2019
9:00 – 10:00 AM

Incoterms facilitate trillions of dollars in global trade each year. Beginning January 1, 2020, the newest revision will take effect. Our goal for this one-hour program is to provide a basic understanding of these essential terms of trade and provide the knowledge necessary to enact the new rules in your 2020 transactions. In this live, fast-paced and interactive one-hour program, we will discuss:

- Why credit pros need to understand Incoterms
- The specific Incoterms that are being deleted /removed from use in 2020
- The specific Incoterms that are being added in 2020
- What specific actions creditor companies should consider taking in response to these changes,
 - When to make the changes, and
 - How to implement these changes

THE RISKS OF USING INCORRECT INCOTERMS CAN HURT YOUR COMPANY FINANCIALLY.

Click [here](#) for more details.

TGX Trade Group Exchange Industry Credit Group Platform



An important and exciting reminder to our industry credit group member company clients!

It is our privilege to host, and a great advantage for you, to have access to a priceless industry network for the exchange of credit information with your peers. We are pleased to provide this service for you as our member.

We have previously announced this added value to industry credit group members with their annual credit group dues renewals. Effective with your annual group membership renewal, you will receive FREE TGX TRADE CREDIT REPORTS.

If you contribute your entire A/R data receivables file, you will receive up to forty (40) no-charge TGX reports.

Those who do not provide their entire A/R data receivables file will receive up to fifteen (15) no-charge TGX reports.

....Continued on Page 6

15755 W Rogers Drive #200
PO Box 510157
New Berlin WI 53151-0157



NEW ASSOCIATION REPRESENTATIVE

Dennis Murphy

Design House DHI Corp

Congratulations to Alyssa Bartel, Phoenix Products LLC on her recent Marriage.

Congratulations to Jennifer Hall-Parker, Wacker Neuson Sales Americas LLC on her recent Marriage.

MEMBER NEWS:

If you have something you would like us to announce please send an email to

admin@wcacredit.org

Subject line: Member News



ARE YOU PREPARED FOR CECL? By David Schmidt



How your company calculates your bad debt reserve is going to change. That's because the Financial Accounting Standards Board (FASB) has issued new standards that require creditors to implement a Calculated Expected Credit Loss (CECL) methodology starting next year.

Anytime there is a change like this, it is an opportunity for credit pros to take the initiative. CECL has become a hot topic in the banking arena, but as far as we can tell, has remained under the radar in many other industries. The purpose of this article is to equip credit pros to assume a leading role by introducing you to CECL and the steps you will need to take to implement CECL in your organization.

What is CECL?

Accounting Standards Update (ASU) No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments was issued June 16, 2016. It replaces the incurred loss impairment approach in current generally accepted accounting principles (GAAP) with a methodology that reflects expected credit losses and entails attention to a wider range of practical information to calculate estimated credit losses.

Currently, bad debts are typically not recorded until incurred. With CECL, the expected credit losses need to be accounted for when the financial instrument, in the case of trade receivables the invoice, is recorded. CECL requires a financial asset (or a group of financial assets) be measured on an amortized cost basis and reflected at the net amount that you expect to collect. The allowance for bad debt is then a valuation account deducted from the amortized cost basis of invoice in order to present the net carrying value at the amount that is expected to be collected.

CECL also requires the consideration of a broader range of risks such as economic, industry, political and environmental. For example, small businesses are largely captive to their local markets and industry trends. Competition and economic trends have a significant impact on small business, but these are seldom accounted for today. Likewise, debt portfolios with concentrations of customers in environmentally sensitive areas -- think California's wildfires, Midwestern flooding, and Gulf and Atlantic Coast hurricanes -- do not currently factor in these risks.

Why Did the FASB Feel CECL Was Needed?

The global financial crisis provided the impetus for CECL. There were concerns because credit losses were being calculated by utilizing backward-looking information to assess an entity's bad debt allowance and on the basis of their own experience. This approach delays recognition until a loss is likely to be incurred, which comports with GAAP's required "incurred loss" methodology.

Are You Prepared For CECL? (Continued)

"The new standard addresses concerns from a wide range of our stakeholders--including financial statement preparers and users--that the existing incurred loss approach provides insufficient information about an organization's expected credit losses," stated FASB Chair Russell G. Golden. (Source: FASB Issues New Guidance on Accounting for Credit Losses, Norwalk, CT, June 16, 2016 New Release)

Who is Affected?

Any company that extends credit to its customers is affected. According to ASU #2016-13, CECL covers "loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash."

CECL goes into effect next year for public companies and will be rolled out for other entities over the following two years. The specific dates for implementation were addressed in a "Joint Statement on the New Accounting Standard on Financial Instruments - Credit Losses" from the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, and the Office of the Comptroller, issued June 17, 2016:

1. **Public business entities (PBE) that are U.S. Securities and Exchange Commission (SEC) filers (SEC filers):** Fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.
2. **Other PBEs (non-SEC filers):** Fiscal years beginning after December 15, 2020, including interim periods within those fiscal years.
3. **Non-PBEs (private companies):** Fiscal years beginning after December 15, 2020, including interim periods beginning after December 15, 2021.

Differences from Current GAAP Standards

As previously mentioned, under current GAAP, recognition of the full amount of credit losses is delayed until the loss is imminent. One advantage of CECL is that it eliminates any ambiguity around the probable initial recognition threshold in current GAAP. Instead, CECL reflects a company's current estimate of all expected credit losses.

When credit losses are measured under current GAAP, only past events and current conditions are considered. CECL expands the scope of the data an entity must evaluate in calculating its expected credit loss estimate, but allows receivables or other debt to be measured either collectively or individually. Therefore it is likely the loss probabilities for your largest customers will be individually based, while smaller accounts will be evaluated based on distinct AR portfolio segments.

By being forward looking, the process imposed by CECL must necessarily incorporate more timely data in the estimate of expected loss. Users of financial statements, your own credit analysts included, will find this advantageous, and will also benefit from more consistency and better risk quantification in the reporting of bad debt reserves.

Are You Prepared For CECL? (Continued)

From a systems implementation perspective, the inputs used to record the allowance for credit losses will typically need to change to appropriately reflect an estimate of all expected credit losses and the use of valid forecasts. The good news here is that an organization can leverage its current systems and processes for recording the allowance for credit losses.

In terms of disclosures, CECL requires that credit quality indicators related to the amortized cost of financing receivables, a current disclosure requirement, will need to be disaggregated by year of origination (or vintage). This vintage information will enable financial statement users to better assess changes in underwriting standards, credit quality trends in debt portfolios over time, and the effect of those changes on credit losses. In other words, credit and financial analysts will be able to access more granular data about portfolio risks and reserve calculations for public corporations. The disaggregation by year of origination will be optional for entities that are not public business entities.

Call to Action

The pending enactment of CECL provides credit executives with an opportunity to get ahead of the curve. To do that you must first educate yourself and then engage with your accounting manager, controller and CFO. If they are not already preparing for CECL, you can earn credit for getting the ball rolling. If they are already on top of CECL, you can then provide valuable insight into what it will take from a credit department perspective to fulfill CECL's requirements.

Your preparations for CECL implementation start with identifying all the risks in your AR portfolio: Financial, Industry, Economic, Environmental or Location-based; and if your portfolio includes international receivables, Political and Currency Exchange risks. The next step is to identify the data and information resources needed to forecast these risks. An evaluation of your system needs is also required before you start building a process that addresses CECL's standards. If you have already automated credit and collections, your system needs may be minimal.

As with any other change, CECL comes with its challenges and opportunities. For credit pros, there will be challenges implementing a new process to calculate expected credit losses, but this is not a formidable challenge. In fact, for many credit pros it will not take you far from your comfort zone. The opportunity comes from proving, and even enhancing, your value to your organization by being proactive.

Thanks to Credit Today.

Credit Today Forum Discussion: One of my good customers wants us to drop ship our product to one of our past-due customers.

I am sure someone on this list has run into a similar scenario: Customer "A" is past due, well over 120 days. Customer A is now on credit hold and will be receiving a Final Demand before turning over to our collection agency. Customer "B" is in excellent standing. Customer B has been purchasing our equipment for many years, and recently has begun drop shipping to Customer A.

Has anyone refused to drop ship in a similar situation as leverage to receive payment from Customer A?

Credit Today Forum Discussion: One of my good customers wants us to drop ship our product to one of our past-due customers. (continued)

Are there any legal ramifications? The obvious concern is our relationship with Customer B and the possibility of jeopardizing this relationship by refusing the order, no matter our reason. We are divided on this. Half believes we should withhold the drop ship, half believes if Customer B is paying us, then we are still making a good sale.

As always, the input from this group is appreciated.

Credit and Collections

=====

If you are aware that Customer B is knowingly assisting Customer A in this act of avoiding his creditors, then that's not a very mutually equitable relationship. I can't understand why an excellent customer in good standing would expect their vendors to drop ship to B. That doesn't make sense. I would call them out carefully (probably with the aid and support of the Sales Mgr.). Likely still sell them but not extend the courtesy of the drop ship. This has been something that I've experienced, (where one was helping the other get product) but not to the extent of having to drop ship to the guy that owes money and is about to go to collection.

If Customer A doing some kind of subcontract work for Customer B, then I would let it go as the excellent Mr. B is unaware of the situation, and continue shipping as a complete courtesy to B. This particular scenario I've been involved in and had to let it continue as a service to our good customer who probably had no idea what was going on between the other parties.

National Credit and A/R Manager

=====

Shortly after I started my current position, without my knowledge, our dispatch department entered orders based upon a salesperson's instructions, shipments were billed to "B" (xx day terms), but shipped to "A" (Cash in Advance). When it came time to pay several past-due invoices, "B" said; those are not my orders, your salesperson just wanted to use my account to get the order shipped to "B", go collect from "B." The salesperson confirmed he allowed this to occur. After climbing down from the ceiling of my office, this problem with sales and order entry was resolved and has not been repeated. It was necessary to credit "B" and invoice "A," increasing the amount owed by "A" who was already over 120 days past due. "A" filed Chapter 7 BK the following month. It was an expensive lesson, but a great teaching moment.

My policy is I will sell to "B" and ship to "B" or I will sell to "A" and ship to "A" based upon each customer's terms of sale. I will not bill "B" and drop ship to "A." If "B" then wants to sell to "A" then "B" can ship from his store and the transaction is between "A" and "B".

Credit Manager

Credit Today Forum Discussion: One of my good customers wants us to drop ship our product to one of our past-due customers. (Continued)

=====

>> those are not my orders, your salesperson just wanted to use my account to get the order shipped to "B", go collect from "B." The salesperson confirmed he allowed this to occur. >>

In my first job in credit -- at the J.M. Smucker Co. -- we had something similar happen, but not quite.

We noticed bigger than usual orders going through at the end of a month for a particular grocery chain. Most of them ended up going past due, and when we started our usual past-due letters to collect, we found out from the customer that the salesman (unofficially, probably verbally) had offered them extended terms to place the orders early. He wanted to jam enough through at quarter's-end to make his #s.

Top management took this very seriously and spoke with him.

They concluded he wasn't sufficiently aware just how bad that was and fired his a**. I got the impression they might have given him a second chance had he been extremely repentant and aware that what he'd done was over the top, but that was not their conclusion.

Rob Lawson, Credit Today LLC

Thanks to Credit Today's Senior Credit Executive Forum

CREDIT TODAY
The premier online community & resource for trade credit execs

"This and the above informational articles were provided by Credit Today"

To learn more about subscribing to Credit Today, check out their web site at www.credittoday.net

TGX Trade Group Exchange Industry Credit Group Platform (Continued)

The free reports can be used anytime within the next twelve months or group membership term. After your no-charge reports are consumed, you can continue to obtain TGX industry credit reports at a very reasonable and affordable price of only \$6.75 (data contributor) or \$8.50 (non-data contributor) each. As an industry credit group member, no subscription or contract is necessary to obtain these payment information reports any time you need them. They are billed on a pay-as-you-go basis.

The Association will track usage of your reports. We recommend that you also track the number of reports you've used as well. Our online credit group system under the report history area, electronically stores all the reports you extract. Once your free reports have been consumed, any excess reports will be billed monthly on a pay-as-you-go basis. When next year's credit group membership is renewed, we'll give you another cache of no-charge TGX reports to use that year as well. Sorry, unused no-charge reports within the group membership year cannot be carried over.

If you have not previously pulled this type of report, please call with any questions. Your credit group administrator will be happy to walk you through the report request procedures, it's a snap!

TSYS Merchant SolutionsSM (Partners)

Need credit card payment solutions for your business? Whether large or small, TSYS has the customized solutions to fit your business needs. BCMA partners with TSYS because they are focused on creating more value in our client relationships than ever before, and their voice has emerged as one of the most trusted in the payments industry. This true spirit of partnership, and the accompanying understanding that our success is determined by our clients' success, infuse everything we do. Whether you're LOOKING TO BEGIN ACCEPTING CREDIT CARDS, or LOOKING TO LOWER YOUR CREDIT CARD SUR-

CHARGE FEES...TSYS will help. Contact the Association at 262.827.2880. We'll put you in touch with a representative that will assist you. TSYS was named to Ethisphere's 2013 World's Most Ethical Companies List!

**NACS Credit Services, Inc*

**Pennsylvania Association of Credit Management*

**The Business Credit Management Association Wisconsin*

contact us

Phone: (262) 827-2880 or 888.546.2880
FAX (262) 827-2899
Web: www.wcacredit.org

Darryl Rowinski CCP, CPC X222 President & COO,

Membership
Director of Professional Service Firm Solutions
Resume Referral Services
Employment & Outsourcing Services

Wayne J Crosby CCP, CPC X224 Vice-President

Membership
Director of Professional Service Firm Solutions
Resume Referral Services
Employment & Outsourcing Services

Dianna Rowinski X225

Director of Education
AP/AR
International & Industrial Group Administrator

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!



Gail Venne, X223

Credit Reporting
Group Administrator

Chrys Gregoire X221

Administrative Support
General Questions/Information
Data Transmissions
Group Services
E-Commerce
Credit Reporting

Patty Hughes X227

Recovery Specialist
Credit Reporting

Board of Directors

Executive Committee:

Chairperson
Penny Conaty CCP, CPC, CBA
President
Darryl Rowinski CCP, CPC
Counselor
Adriana Sertich CCP, CPC
Director Emeritus
Wayne Crosby, CCP, CPC

Directors:

Davy J. Tyburski
Rob Lawson
Stu Sturzl, CCP, CPC
Barry Elms

So Many ways that you
connect to The Association



UPCOMING INDUSTRY CREDIT GROUP MEETINGS

DECEMBER 10, 2019

Fine Paper/Graphic Arts Industry Credit Group

Teleconference Call

Regional Paper & Packaging Industry Credit Group

Book of Reports Only

DECEMBER 11, 2019

Food Suppliers Industry Credit Group

Madison, WI

Plumbing & Heating Industry Credit Group

Brookfield, WI

DECEMBER 13, 2019

Electrical Suppliers Industry Credit Group,

Delafield, WI

DECEMBER 16, 2019

Western Electrical Suppliers Industry Credit Group

Book of Reports Only

DECEMBER 17, 2019

Building & Construction Materials Credit Group

Milwaukee, WI

WI/IL HVAC Industry Credit Group

Teleconference Call



DECEMBER 18, 2019

Food Service Supply Hospitality Industry Credit Group

Delafield, WI

Minnesota Electrical Suppliers Credit Group

Brooklyn, MN

DECEMBER 19, 2019

IL Fine Paper Industry Credit Group

Downers Grove, IL

Construction Industries Credit Group

Appleton, WI



Education Events

December 18, 2019

"INCOTERMS 2020" Webinar

January 16, 2020

**"How To Manage The Emerging Challenges
In Credit & Collections" Webinar**

January 22, 2020

Milwaukee Location

January 23, 2020

Madison Location

February 05, 2020

Appleton Location

February 06, 2020

Eau Claire Location

**"How to Navigate Complex Contractor Sales and
Use Tax Laws." Seminar**

February 12, 2020

"Commercial Collections" Webinar

YOU CAN TRUST THE ASSOCIATION TO ASSIST IN [COLLECTION RECOVERY](#) FROM YOUR DEBTORS ANYWHERE IN THE WORLD.

LET THE ASSOCIATION HELP WITH [EMPLOYMENT OPPORTUNITIES](#).