

Financial training For non financial staff



The financial training specialists

Debt collection (3) (cashflow)

Last time we looked at negotiating credit terms. This time we'll look at enforcing them.

First, get the invoice right! If it is inaccurate the client will query it, not pay it. And they'll probably wait until it's due for payment before they query it, which will slow the payment down further. Make sure you include purchase order numbers and the like, as their absence will also delay payment.

Get it in on time. Most businesses have an end of month cut-off date for processing invoices. Invoices received after that date will be deemed as "next month's invoices", which means they'll get paid a month later. But the cut-off date is often before the end of the month (this enables the monthly management accounts to be produced smartly after the month end). So find out what the customer's internal processes are, and work within them.

Find out who is responsible for paying suppliers. If you're having trouble being paid, you need to know who to chase. Work with the purchaser at your client (so they can apply internal pressure), but also develop a relationship (and an expectation of being paid promptly) with the accounts payable department.

Chase proactively, don't wait to be paid. Take it seriously – getting the invoices paid is as important as getting the invoices out. Have a series of steps: phone calls; letters; stopping supplying; legal action; and be prepared to use them. Don't make threats that you aren't prepared to implement.