



Tips to Manage your Debtors for improved Cashflow

Effective Debtor Management in business is essential. Having a large amount of outstanding debts can be risky for the business. The ability to receive payment for your services or products promptly, can have a dramatic impact on your cashflow, and your ability to continue to reinvest in your business. We've pulled together a checklist of things below that you can do to help keep your debtor management running smoothly:

1. Set payment terms that both suit your business and that are realistic for your customer to maintain good customer relationships. Consider if a written agreement is required.
2. Set expectations and communicate early with your customer so that they are aware of your payment terms. Provide a quote to your customer if requested to avoid questions regarding your invoice.
3. Ask your customer how they like to be invoiced and what information they need. Is there opportunity for your customer to pay up front or enter into a prepayment plan?
4. Include your payment terms clearly on your invoice.
5. Invoice your customer promptly.
6. Make it easy for your customer to pay their bill. Are they able to pay it over the phone? Do you have BPay or EFTPOS facilities?
7. Should you offer credit to particular long term customers? Ensure that you set limits and perform a credit check first.
8. Set reminders and have someone dedicated to chasing up your business debts on a regular basis, (they could be internal or outsourced).

**PROVIDING
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9. Have debt recovery template letters or emails available to help make the process easier. It's usually best to phone the customer first to confirm that they've received the invoice and see if they have any questions.
10. Send a statement to your customer to keep them up to date with their current debt and payments made.
11. Communicate well with your customer.
12. Obtain order numbers from your customer to speed up the approval process, if this is appropriate.
13. Consider if there is an opportunity to send a progress fee to your customer.
14. Should a small discount be offered for early payments?
15. Can you hold delivery of goods until payment from your customer has been received?
16. Keep records of your communications with your customer so they can be referred to in the future.
17. Set a benchmark for your ideal debtor days. Do you ideally want your debts paid in 7, 14, 21 or 30 days?
18. Keep track and monitor against your benchmark on a regular basis.

Sometimes it is difficult to have a conversation with your customer around an outstanding debt, but it's an important conversation to have and it's important to have an effective process in place. What would a boost to your cashflow do for your business? It's certainly worth taking the time to review your current debtor management process and see what steps you can put in place now to start to make a positive difference in your business. If you need a hand or have any questions, please give the team at Evans Edwards Accountants | Auditors | Business Advisors a call to see how we can help you.

A tailored approach for each business is recommended so call us for assistance and advice on 4927 4588 (Rockhampton) or 4939 1766 (Yeppoon) to see how we can help.

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