

Putting accounts receivable systems in place

After spending years getting yourself up and running, working on sales and the front end, it's likely that the back end— accounting practices and accounts receivable —have been somewhat forgotten. With more and more companies defaulting on payments, going into administration and getting wound up by the ATO, now more than ever is the time to get your back end sorted. Here are some ways to improve how you deal with your customers and their accounts.

1. Set up systems

It's not simply a matter of sending out invoices when you have the opportunity after finishing work one day; it's important to have clear accounting systems in place. This includes sending out invoices with each delivery, and following up on late payments. If you've been clear on your invoice as to when payment is due, be sure to follow up if the payment is late. Establish how long you can wait: for example, you might follow up after seven days with a statement. After 14 days, follow up with a phone call. If a customer is used to hearing from you on a regular basis, they'll be more likely to pay up.

2. Publicise your policy

It's not just a matter of individually deciding what your accounts receivable policy might be, it also needs to be discussed with all staff and, most importantly, your customers. This means keeping them informed from the beginning as to when payment is expected and ensure that they agree to this process, in writing, before you conduct business together. Once systems are in place, it's even easier to manage them in house, particularly as staff may come and go.

3. Have an eye for detail

While you may know your regular customers by their nicknames, it's important that all invoices are labelled with their correct trading name, ABN and contact details. If you don't have the correct details on your invoice, it could cause you trouble later on if you need to refer it to a debt collector or lawyer. Invest in a credit report when taking on a new customer. This will not only give you all their correct legal details, like name and ABN, but it will also flag any black marks or defaults that have been registered against them.

4. Stay up to date

Don't assume that because you performed an upfront credit check on a customer that their financial position won't change. More often than not, it is a long term client that goes into administration or defaults on a payment. There are a number of tools out there that will help to keep an eye on them at all times. CreditorWatch, for example, offers a customer monitoring service to all members. They will keep an eye on your customers for you and send you an email alert if any important changes occur that could affect their ability to pay you – for example if they have a payment default or court judgment lodged against them or if they go into administration. This enables you to be proactive and put the account on stop, or contact the customer to chase outstanding debts.

For more information or to trial CreditorWatch for **free** go to www.creditorwatch.com.au