

Accounts Receivable

Accounts receivable is not cash.

Only cash keeps your business afloat. Accounts Receivable (A/R) can turn into cash, but if you are not careful, you could get burnt.

TIP: It isn't cash until it is in the bank.

What are the signs that you need to collect?

- Have your customer been slow in payment for the last few invoices. You have to think to yourself, why is this happening? Especially if they were previously punctual payers. May be it is because they are not as able to pay as they were before.
- Have your customers not paid another supplier? You can check a customer's credit rating. It may cost a bit of money, but if your own costs are rising, you could investigate what their records show.
- Is financial instability common in your customer's industry? If you customer is from an industry that has its ups and downs, you should be more hesitant to give them credit.
- Is there an economic downturn? All rules are off during this time and it is better to be safe than sorry. You want to be able to continue paying your own bills!

How do you make sure that you get cash in?

- Make sure that you get deposits from all of your customers.
- Change your payment terms to be cash on delivery (COD).
- Ask for some sort of collateral or security to cover the amount of an order.
- Reduce your payment terms. If you accept payment in 30 days, push this down to 15.
- Have escalation policies upon late payment from your customers. If someone is 7 days late, send them a reminder. If they are 15 days late call them, and if they are longer have more severe next steps.

Business Solver Modules:

- ❖ Get Cash In Your Business
- ❖ Keep Cash In Your Business
- ❖ Cash Flow

Business solutions at your fingertips

Starting a small business isn't easy but with business solutions right at your fingertips, you don't have to worry about missing any steps.

