



TRUENORTH
Chartered Accountants Limited

Getting your Accounts Receivable Ready for Tougher Economic Times

To effectively prepare your business for navigating through challenging economic conditions, it is crucial to establish a consistent, well-communicated, and enforced accounts receivable process. To assist you with this we have compiled a concise checklist to help you to get ready in 8 easy steps.

Qive your trade terms a review

Exercise caution when creating contracts

Touch base with your clients

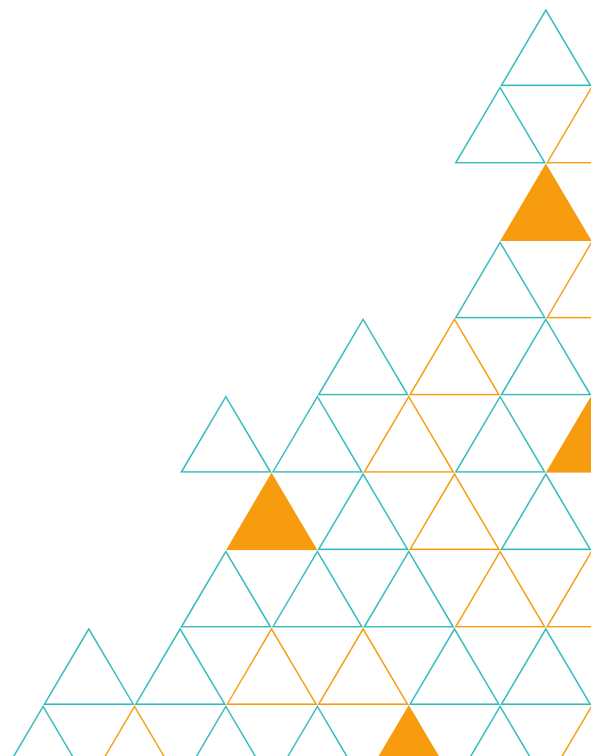
Review your client's risk matrix or create one

Ensure you have multiple ways to pay

Accelerate your collection process with a clear timeline

Draft templates

Qou, your team or outsource





1. Take a moment to review your terms of trade. Are they still relevant? If your payment terms are currently set at the 20th of the month, it may be worth considering reducing it to 14 days.



2. When creating contracts, exercise caution and ensure they are completed accurately. Putting in a little extra effort and being cautious at the beginning can save you trouble later on. Here are some things to consider:

- Are your contracts up to date?
- Do you have a personal guarantee?
- Have you included a clause regarding collection costs?
- Is all the data correct, including legal names?



3. Make sure you have the correct and up-to-date contact information for your clients. It's important for everyone on your team to verify that the contact information is accurate and to be alert for any warning signs regarding clients on credit.



4. Review your client risk matrix or create one if you don't have it. Identify clients who may be at risk of not paying you. This will help prioritise communication for follow-up when there is pressure on accounts receivable.



5. Offer multiple ways for clients to pay. Businesses that provide three payment options tend to receive payments more quickly than those that don't. Consider offering direct debit to a bank account, direct debit to a credit card, and funded options.



6. Accelerate collection by creating a clear timeline. Develop a contact timeline that outlines the steps your credit controller should follow from the moment an invoice is generated. This may include calls, emails, escalation, stop credit, texts, letters, and debt collection.



7. Standardise communication by using templates whenever possible. This includes templates for navigating excuses in the collection process. Prepare scripts for emails, letters, and text messages to ensure consistent and effective communication. You can also set up Xero to automatically send invoice reminders.



8. Establish responsibility for the accounts receivable process. Clearly define who is responsible for managing accounts receivable and establish key performance indicators (KPIs) and response times for queries.