

# What Are The Top Strategies for Effective Accounts Receivable Management ?

The management of accounts receivable, as well as the payments your customers owe your business for deals or services rendered, are a vital element of your business.

However, also neither does the rent, your merchandisers get paid if your business is not paid on time by these clients of yours. Still, despite the significance of accounts receivable operation, numerous businesses find collecting bills for services rendered grueling.

According to a recent survey, more than 40% of businesses have clients who are over 90 days due on payments, and nearly half of all businesses in this survey showed they had written off bad debt in a year alone. However, it doesn't have to be this way. There are several strategies to tackle this. This guide shows you some ways to effectively manage account receivables.

Picture 1 of What Are The Top Strategies for Effective Accounts Receivable Management ?

## 6 Account Receivable Management Tips

There are several strategies for improving your business' account receivables. Below are some of them.

### **Have clear credit policies**

Should you permit a customer to utilize a line of credit, make sure that there are clear guidelines in place. It only gets more challenging to effectively manage cash flow when the time to recoup payments gets longer.

It's also important that your customers grasp the concept of the terms of credit you present. They need to sign a piece of agreement form that makes them abide by those terms before any purchase is made using credit.

### **Invoice customers using best practices**

The purpose of an invoice is to offer adequate data for clients to approve it and pay on time. Ensure that a professional and clean format is utilized. Let it have the logo of your company as well as its key information. The payment terms must be clear and specific. For instance, you may state 'Due upon receipt. The only exception is if a previous agreement permits fifteen or thirty days as the client has an approval process that is multiple steps.

You also need to add specifics regarding your service or product being billed. And if the invoice is for an ongoing project, then break it down to what project is being billed.

## **A credit check is vital**

With the management of account receivables, the importance of credit checks cannot be underestimated. Before taking in a new customer, especially for a long term, first, consider checking that guest's credit history. This will reveal whether the potential client has a history of missed payments or poor credit. A credit check should often be required for any customer you want to extend a line of credit towards. Doing the credit check before signing a contract will prevent headaches in the long haul.

## **Regular communication**

You need to always get in touch with your customers. This is vital. Before payments come too late, maintaining regular communication with your clients helps you get a better pay rate.

Keep an eye on all transactions previously made. Especially from the delivery period to the moment payment terms are over. The first 60 days often be the timeframe when non-payment occurs. And this is often a result of the negligence of many businesses to reach out to their customers. Invest more resources in this area. Effective and regular communication with your clients will make them want to pay on time.

Also, regular review of old reports is key. Once a week is good enough. Assign an account receivable staff that will be in charge of collection calls for checks that are due. It will make them pay promptly.

## **Past-due receivables need fast moves**

According to some recent studies, the longer receivables go uncollected, the less likely they will never be collected - either in full or incompletely.

With that said, you need a better approach to your collection. Your business must act quickly on past due receivables. Also, whomever you choose to manage accounts receivables must communicate with the customers on the first day that a payment is late. And if your business has some policies regarding late payment, kindly remind them of the penalties involved.

## **Offer early payment reduction**

Here is another great strategy to effectively manage your account receivables. Discounts may be given on early payment. A 2/10, net/30 discount works perfectly! For this, your clients get two percent when they pay within ten days rather than the standard thirty days.

However, this kind of payment reduction depends on the industry involved. In an industry with a tight margin, then your prospective customers will value the two percent discount. This method is effective if a business can afford it. It is also proven to increase cash flow.

## **Conclusion**

Proper management of account receivables is vital for the growth of every business. Doing it right also boosts cash flow. Remember to maintain regular communication with your customers. Visit Upflow to learn more.

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