

10 TIPS FOR EFFICIENT CREDIT CONTROL

The survival and prosperity of all businesses is dependent upon receipt of cash from sales on time and for the amount expected. The management of the cycle of converting orders to cash is a key part of the business process – especially so in times of downturn where prices are being pared to stay competitive.

Observing the following 10 tips are key to proper management of debt collection:

1. Clearly print your Terms and Conditions for payment on any quotations, contracts, order confirmations, and on the reverse side of invoices. These terms should clearly state the payment period for any invoice - quite often you would expect payment within 30 days, but this could be shorter or longer depending on your type of business.
2. Ensure you have order numbers from your customers for each sale. Use this number on correspondence, dispatch documentation, invoices etc.
3. Design a Credit Application Form and ensure that each potential new customer each completes a form. Follow up on trade and banking references before granting credit facilities.
4. Set credit limits for each customer and ensure that your accounting system will prohibit sales when limits have been exceeded.
5. Be wary when you receive round sum payments. Follow up promptly on any broken promises of payment.
6. Make sure that receipts are recorded on the customer account on the day of receipt; that Invoices are issued promptly after the completion of the sale; and that month end statements are issued within two working days of the month end.
7. For major projects or exceptionally large orders negotiate a payment schedule from the customer to ensure you have financing that mirrors the costs of the project.
8. Consider early payment discounts as a means of encouraging prompt payment.
9. Ensure that staff involved in debt collection are thoroughly and uniformly trained in the debt collection policy of the business. Consistency in the methods followed by each staff member is critical. Ensure that any discount policy is written down and understood. Any discounts agreed should be documented and signed off.
10. Hold internal Credit Control meetings on a weekly basis; allocate collection responsibilities; follow up. Measure your collections on a week by week basis.

If you would like more information or would like to discuss any other areas of interest,

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About Lyons & Calzo Accountants:

Lyons & Calzo Accountants, Chartered Certified Accountants and Tax Advisors, has a proven track record and excellent reputation of providing support and assistance to organisations and businesses throughout Ireland. As members of the ACCA, the Irish Society of Insolvency Practitioners and other professional business networks, Lyons & Calzo Accountants is committed to keeping ahead of changes and developments in Irish and European taxation, legislative and financial requirements. Our existing client profile also ensures that we continue to be ahead of all the latest developments in your field of business.



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Please note that the above is intended to be a general guide to the various issues only and further advice should be obtained before taking, or refraining from taking, any action. This leaflet is intended to be informative and issues are condensed in the interest of clarity and brevity, and a more comprehensive examination of the issues is outside the scope