

## **How To Efficiently Manage Your Business Accounts Receivables**

Accounts receivables are the amount of money that a customer owes a company for a service or product obtained on credit. Accounts receivables are therefore a company's sales that have not yet been paid in cash. While accounts receivables are considered as current assets, it remains difficult to consider a product or a service as sold or purchased unless it has been paid in cash. If your company regularly makes a sale on credit and you do not implement and maintain an efficient accounts receivable system, the cash flow in your company will be negatively affected.

This can have unwanted implications in the operation of your business. It is therefore crucial that a company observes proper and efficient account receivable management.

The following are some of the guidelines to help you efficiently manage your business' accounts receivables:

- Background check on your customer before credit is extended.
- Enter into a signed agreement with clear payment terms including charging interest and collection charges in case of delayed payments.
- Maintain communication. Keep following up through phone calls/ emails to ensure payments are processed within due dates. Send dunning letters and escalate if there is no response from the processing department. Communication will not only build rapport between you and your customer but will also ensure a more efficient collection of accounts receivables.

## **What happens if there are Receivables which have aged and not collected?**

- If an invoice ages beyond its due date then there is a risk that that it may go bad.
- If there is a delay in collection then the working capital is affected.
- This may lead to using the existing cash reserves.
- If the Cash reserves are used the business may have to borrow which is not a healthy sign.

Hence it is very crucial that your business efficiently manages its accounts receivables.