

Invoicing Tips

The first step of the accounts receivable management process is invoicing. It's hard to collect an invoice that the customer does not have or which is inaccurate or incomplete. Here are a few simple suggestions to make your billing process more effective.

- **Send the invoice in a timely manner.** If your customer doesn't have the invoice it can't get paid. Further, invoices that come months after the fact can cause confusion if the customer can't remember the transaction or a project has been closed. Try to create and mail invoices daily.
- **Make sure you have the correct billing address.** Large organizations can be complicated and sending an invoice to the wrong address could lead to it being lost or delayed. Be sure to ask the customer's representative where to mail the invoice if it's not clear from a purchase order, credit application or other such document.
- **Understanding the internal approval process is helpful for large customers.** Do you send the invoice directly to Accounts Payable or should it first go to the person who made the purchase for approval before it is forwarded to AP for processing?
- **Include clear payment terms and due date on the invoice.** Calculating and displaying the due date for the customer will help them focus on that date.
- **Include a Remit To address.** If appropriate, also include instructions to "make check payable to" the entity name you prefer. A return envelope can make it easier for many customers to make their payments.
- **Include any information required by the customer to process the payment request.** This could be a PO or Job number or supporting documentation such as a signed receiving document (proof of delivery) or approved timesheets. This will be different for every customer so be sure to ask about their requirements before starting work.
- **Describe what products or services were delivered.** This detail will make it easier for the person processing the payment to understand what it's for and post it accordingly.
- **Include a statement to the effect that "A Late Fee of x% may be assessed on past due balances" if you ever want to enforce such fees.** Whether this is a good practice or not is debatable but many businesses assess late fees, or try to do so. The exact language can vary and you might want to have your legal advisor provide the exact wording. The fee percentage (interest rate) is regulated in some states so be sure you know what the limits are. Practically speaking this is typically in the 1% - 1.5% per month range. More than that could seem excessive; less than that isn't worth the trouble.