

# The second cause of poor cashflow – Your accounts payable process



The second cause of poor cashflow relates to when and how money is spent in your business, and includes your Terms of Trade with suppliers.

## **Do you have spending budgets in place?**

It's best practice to prepare an overall business budget every year, usually before the beginning of the new financial year. It's also best practice to make sure that team members with the authority to order products and services are doing so within the parameters of an agreed budget, and that controls are in place to ensure that department spending budgets are not exceeded.

Now is a good time to review (and document) your Accounts Payable process, from ordering right through to making payment.

## **When was the last time you reviewed your suppliers' Terms of Trade and prices?**

Terms such as payment expectations, discounts for early payment, late payment implications, insurance, and warranties are all worth a closer look. What controls are in place to ensure supplier payments are made on time and discounts for

prompt payment are maximised? If you're not paying suppliers on time, you need to look at freeing up cash in other areas to ensure you're meeting your payment terms.

Have you recently evaluated the pricing of your current suppliers and compared this with competitors' prices? Your evaluation should include delivery charges, payment terms, and discounts.

There are many more strategies you can employ to minimise the risk of fraud and human error, maximise prompt payment discounts, and build strong relationships with your suppliers.

Talk to us about your accounts payable processes. At a Cashflow & Profit Improvement Meeting, we can show you how to improve your accounts payable processes to manage your cash outflows more effectively.