

# Insight Checklist Accounts Receivable

## Establishing a Proper Collections Process

If you have any questions, we will gladly talk you through them.

**1.877.Bangor1**

Having a small accounts receivable balance each month indicates that you show sound financial management. Collecting past-due accounts is a displeasing but necessary process, especially when the past-due balance creeps above 3% of your gross income. Studies show that the older a delinquent account becomes—more than 90 days—the less likely you will ever receive payment. Use this checklist of billing best practices to reduce your stress and the number of past-due accounts you have.

### One: Check potential customers against reporting agencies

It's particularly important in a tight economy to know how your customers pay their bills. Is their cash flow sufficient to meet prospective commitments?

- A good way to avoid bad prospects from the outset is to check their accounts with the major reporting agencies, including Acxiom ([www.acxiom.com](http://www.acxiom.com)), Dun & Bradstreet ([www.dnb.com](http://www.dnb.com)), Equifax ([www.equifax.com](http://www.equifax.com)) and Experian ([www.experian.com](http://www.experian.com)). For consumers, the reporting agencies are Equifax, Experian and TransUnion ([www.transunion.com](http://www.transunion.com)).
- Recheck the financial standing of all customers on a regular basis and also when purchases show a sudden substantial increase.

**Client name**

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**Profile checked**

YES  NO

YES  NO

YES  NO

YES  NO

YES  NO

### Two: Review your billing system

Don't gloss over the invoices that your business sends to those who owe you money.

- Make sure a system is in place where your company audits your invoices for accuracy. Nothing deters payments more than billing disputes from customers.
- State clearly on the invoice what your payment terms are, if you offer a discount for early payment or what late fee will be added once the bill is past due.
- Look at the average length of credit that your business allows or that your customers are taking. This should be calculated monthly or quarterly to lower your risk of not getting paid.

**Do you use an established billing system?**

YES  NO

**Are your payment terms clearly stated on your invoices?**

YES  NO

**Do you enforce payment terms and follow up with delinquent accounts?**

YES  NO

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### Three: Bill customers on a timely basis

The date on which a customer receives an invoice or statement often determines when they will make payment.

- Look at the time between the supply of goods and services and the submission of invoices. Always send bills on a regular schedule, at least monthly.
- Find out how soon statements go out after the last day of the month. If it is taking too long, make the billing process a priority over other tasks.
- Offer and promote the service of emailing invoices, allowing customers to see more quickly what they owe.

#### Do you bill customers monthly?

YES  NO

#### Is your billing cycle a priority?

YES  NO

#### Do you take advantage of electronic invoicing?

YES  NO

### Four: Implement a formal collections procedure

Don't let customer obligations slide too long before you take action.

- After the first bill or e-bill is sent, have an automated system in place that triggers follow-up letters or emails at the appropriate times. Email service providers offer automated services that can be leveraged for this purpose.
- Institute a series of letters and a phone script. Start with a gentle reminder in the first two attempts. By your fourth or fifth outreach, demand payment and express the intention to take aggressive action against the customer for failure to pay.
- Always record details of any calls, including dates and the names of people talked to. Keep your attorney in the loop. He or she can also advise on state and federal laws that are applicable to collection matters.

#### When do you start your collections process?

- As soon as the bill is past due
- Two months
- Three months
- Longer than three months
- Never

#### Do you follow a collections procedure?

- I don't do anything to collect payment
- I have a letter but don't always send it
- I always send a series of letters and follow up with telephone calls
- I get my attorney involved

#### Do you have a system in place to track collections activities?

YES  NO