SECOND EDITION

Managing Cashflow Guides

3. Invoicing

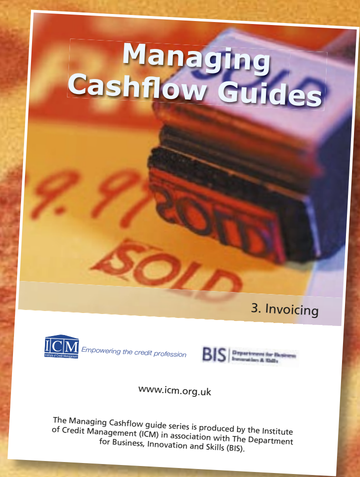
If you don't raise an invoice, you won't get paid. Invoicing should not be seen as a back-office administrative nuisance. Rather, it is a vital first-step in achieving healthy cashflow.

Can you answer yes to all these questions?

- Do you raise an invoice immediately after you have supplied the goods or service?
- Do you make sure that everything the customer requires appears on the invoice?
- Do you have an effective accounting system and have you considered using dedicated accounting software?
- Do you have a process for investigating and resolving disputed invoices immediately after the query is raised?
- Do you log the details of disputes so you can fix any avoidable root causes?
- Do you keep documentation relating to disputes as evidence in case the problem escalates?
- Do you keep a record of the customers that dispute invoices so you can spot any who do so regularly as a way of avoiding prompt payment?
- Do you ensure your sales invoices are fully compliant with HMRC requirement for VAT if you are VAT registered? See **HMRC VAT invoices**
- Do you clearly indicate any reference the payer must quote so you can identify the payment?

Five Top Tips

1. The sooner you ask, the sooner you can get paid; send by first class post or, better still, by email.
2. Get invoices right first time; raising credit notes and reissuing invoices takes up resources and time better spent elsewhere. It also changes the payment due date.
3. Ask customers what they need on the invoice in order to approve it simply and quickly. Include at least the following:
   - Your full name and address
   - Your VAT registration number
   - Invoice date
   - Correct customer name
   - Correct customer address
   - Delivery address (if different)
   - Delivery date and method
   - Customer Purchase Order number
   - A clear description of the goods or service supplied
   - Accurate quantities, prices, discounts and total amount due
   - Payment terms and due date
   - How payment should be made with bank details (including sort-code and account number from bank statement)
   - Invoice number or other reference to be quoted by payer
   - Payment terms and due date bank statement and the reference to be quoted if payment is by direct credit.
4. Include the words: "We will exercise our statutory right to claim interest (at 8% over the Bank of England base rate) and compensation for debt recovery costs under the Late Payment legislation if we are not paid according to our agreed credit terms" on every invoice, and print your terms and conditions on the back.
5. Have a system for resolving disputed invoices promptly, especially if a customer is using a small query to withhold.



The Managing Cashflow guide series is produced by the Institute of Credit Management (ICM) in association with The Department for Business, Innovation and Skills (BIS).

Contacts and suppliers

NEW! Credit Services Providers – Your details could appear here – Email cashflowguides@icm.org.uk for further details

Business Change Partners – www.businesschangepartners.com

Note – inclusion of Supplier details in the above list does not constitute endorsement or recommendation of that company, its products or services.

The Guides in this series:

1. **Knowing your customer**
2. **Payment terms**
3. **Invoicing**
4. **Treating suppliers fairly**
5. **Credit insurance**
6. **Factoring and financing options**
7. **Chasing payment**
8. **When cash runs short**
9. **When all else fails**
10. **When your customer goes bust**

BIS Department for Business Innovation & Skills

For tips on getting paid and advice on best practice in credit management, call the Institute of Credit Management on **01780 722912** email **tech@icm.org.uk** or **visit www.creditmanagement.org.uk**

For further information and advice on starting up, running and growing a business, call Business Link on **01845 600 9006** or visit **www.businesslink.gov.uk**

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