Chartered Institute of Credit Management

CICM MANAGING CASHFLOW GUIDE

#1

BILLING & INVOICING

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If you don't raise an invoice, you reduce the chances of being paid. Invoicing should not be seen as a back-office administrative nuisance. Rather, it is a vital first-step in achieving healthy cashflow. Let's see CICM's top tips to successfully approaching the billing and invoicing process.

TOP TIPS TO HELP YOU

1. **Do it quickly** - Raise and send your invoice as soon as the job is complete. Use a means of delivery that is both fast and user-friendly to the customer. This could be e-mail, e-billing or first-class post

2. **Be accurate** – errors in invoicing lead to delays in payment. Eliminate the need for credit notes by making sure the invoice is right first time

3. **Design it well** - 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
* Tax point (if different)
* Correct customer name
* Correct customer address
* Delivery address (if different)
* Delivery date and method
* Customer Purchase Order number (if required)
* 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) Include your IBAN number for non-UK customers
* A unique sequential invoice number
* Amounts excluding VAT, and total including VAT

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4 Add your safety net - Unless you have agreed alternative interest terms in your contract, you should include the following wording on each invoice "We will exercise our right to claim statutory interest at the rate of 8 percent above the Bank of England base rate and compensation for debt recovery costs under the Late Payment legislation if we are not paid in accordance with our payment terms." Ensure your terms and conditions are printed clearly on the back of the invoice.

5 Manage queries - Respond promptly to invoice queries and have a system in place that allows disputes to be resolved quickly. Be wary of customers using a small or technical query to delay paying a large amount

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QUICK-FIREAUDIT-ANSWER THE FOLLOWING QUESTIONS:

* Are your invoices raised immediately on completion of supply?

* Do you have a process to check invoice integrity before delivery to ensure accuracy?

* 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?

* Are you using the most effective means of delivering the invoice available to you?

* Are you recording details of invoice disputes to identify repeat issues and identify customers who complain as an excuse to delay payment?

* Do you have a robust dispute resolution system in place which communicates the outcome to the customer and notifies them of next steps?

* Do you ensure your sales invoices are fully compliant with HMRC requirement for VAT if you are VAT registered?

* Do you clearly indicate any reference the payer must quote so you can identify the payment?

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1 See https://www.gov.uk/guidance/record-keeping-for-vat-notice-70021 (retrieved 19.09.23.)

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