

## Simple rules for preparing invoices that guarantee swift payment

While a good deal of importance is often placed on credit management policies that minimise your risk and maximise your cash flow, business owners often forget the considerable power of a well designed and clearly worded invoice.

There are a number of examples of companies large and small that fail to issue effective invoices. Just last month a small business sent me an invoice with glaring errors. Not only had the invoice been issued after six months and several requests from me, but it didn't provide payment terms nor state it was a Tax Invoice. There are many debtors that could have taken advantage of the situation and paid the invoice when it suited them.

The weakest invoice I have received was in fact from a multinational that not only neglected to outline their payment terms, but stated the invoice was subject to their standard terms and conditions. While I remembered signing them almost three months earlier, I gave up my search for the elusive document after a couple of frustrating hours.

While most business owners are time-poor and tend to play down the importance of administrative details, following these four simple invoicing rules can make a significant impact on your cash flow:

1. Your invoice should state a concise description of the goods or services supplied, with the total amount due and the GST amount;
2. It must state that it is a Tax Invoice for GST purposes, and also display your ABN;
3. Penalty clauses for late payment (such as an extra administration fee) must be clear and easy to read; and
4. Payment terms must be large and bold to ensure your customer clearly understands when the payment is due.

A final consideration should be the schedule of your invoicing. While every business is different, invoicing normally occurs on a weekly, fortnightly or monthly basis. When every cent counts though, especially in the case of a new business, invoices should be issued as soon as possible and coincide with the day the goods or services are delivered.

*Published in The Courier Mail 16<sup>th</sup> November 2005*

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