

Is your Company Facing Debt Collection Problems?

Here are some tips for you!



Debtor's Aging
Report

How to improve your
company's accounts
receivable's collection?



Did you know that lack of accounts receivable management could slow down or stunt your company's growth?



Why do we need accounts receivable control?

1

To help directors better understand the financial health of the company.

2

To understand your customers' payment status and carry out necessary changes on credit terms.



Tips to improve accounts receivable collection:

1. Director Guarantee

- Request Director to be the **guarantor** of the Debtor.
- The Director will be liable for the debts if payments are not received on time.





Tips to improve accounts receivable collection:

2. Utilise Debtor Aging Report

	Current	1 – 30 days	31 – 60 days	61 – 90 days	Over 90 days	Total
ABC Company	RM 500	RM 300	RM 0	RM 200	RM 0	RM1,000
DEF Sdn Bhd	RM 0	RM 600	RM 200	RM 1,200	RM5,000	RM7,000

- To **track the payment status** of customers.
- For example, if the credit term for ABC Company is 30 days, then the amount past due will be RM200 (*see table above*).
- Assess and **monitor the Debtor Aging Report regularly** (*at least once a month*) so that any past due balance can be **captured in time** before it becomes a cash flow crunch to your business.
- Consider **shortening payment terms** to prompt slow-paying customers into paying earlier.





Tips to improve accounts receivable collection:

3. Establish a Proactive Collections Process

- Be persistent with late customers.
- Contact your client at regular intervals.
- Make debt collections a top priority of the Company.
- Establish a clear and concise collections strategy which should be properly implemented.
- Don't extend credit terms casually, it may cause cash flow crunches in the long run.
- Set a specific deadline and stop providing goods/services when the invoices remain past due.



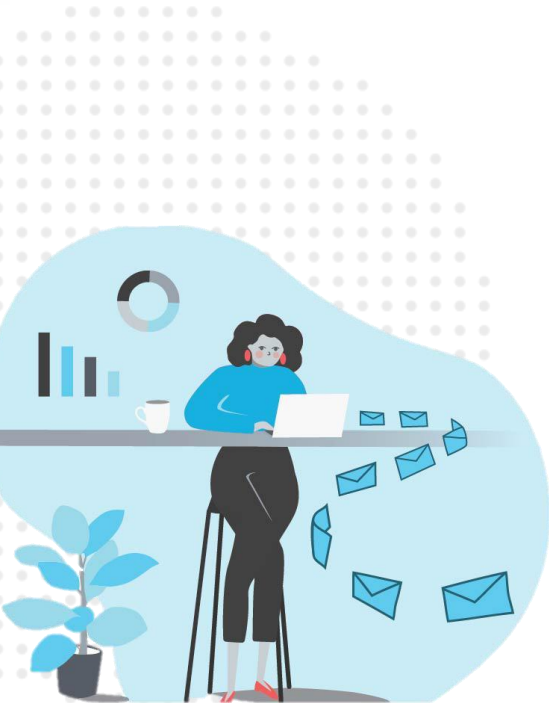
Tips to improve accounts receivable collection:

4. Utilise Software with Automated Reminder Functions

- Customize the credit term and limit in the software for each customer.



- Automated reminder emails will be sent to customers when they have exceeded the credit term or limit.



Tips to improve accounts receivable collection:

5. Do Credit Valuation before Starting a Transaction



- Check the new customer's credit history .
- Determine the credit limit and term based on the result of credit valuation.

There is no rule that says all customers must have 30 days credit term!



Tips to improve accounts receivable collection:

6. Send Reminder Letter / Demand Letters

- After several unsuccessful attempts to contact the client, you can consider sending a **Reminder Letter** which states the details of the overdue invoice.

(Issued by your Company)

Reminder letter acts as a notice of payment, to remind clients that their invoice is overdue.

- If the client still fails to respond after multiple reminder letters, you may seek assistance from lawyers to issue a **Demand Letter**.

(Issued by Lawyer)

BUT do take note that the issuance of a demand letter might also damage the business relationship with debtors



Tips to improve accounts receivable collection:

7. Provide Payment Incentives

- Utilise **payment discounts** to encourage prompt payments from customers (*before due date*).
- For example, **1% 10 Net 30** – customers will receive 1% discount if they pay within 10 days of the invoice date.
- Allow clients to pay by instalments.



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We are pleased to help!

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