



Accountants - You Can Help Eliminate the "Silent Killer of Small Business"

Late payments are the *"silent killer of small business"* Kate Carnell the Australian Government's Small Business Ombudsman said in her reaction to the UK based "Market Invoice" report in late 2016.

Australia has the dubious title of the "Longest Debtors Days Outstanding in the World". The report identified that Australian small/medium enterprises were being paid 26.4 days later than the normal 30 day credit terms - a staggering 56.4 days as compared to the next closest country Mexico with 48.6 days or South Africa with 46.5 days.

These delayed payments are having a significant impact on the viability of thousands of small businesses all over Australia. The government's Small Business Ombudsman has indicated that she is going to have discussions with government departments and big businesses about improving their payment times with small businesses, however accountants have a very significant role to play in reducing the debtors' days outstanding problem.

What can accountants do?

- Calculate debtors' days outstanding for each client at least on an annual basis and then on every occasion that you have contact with that client.
- Introduce debtors' days outstanding calculations as a regular key performance indicator for each client to regularly calculate their own figures and compare their debtors' days outstanding to their targeted debtors' days outstanding figure.
- For each client, with a debtors' days outstanding over 40 days, submit a proposal for a Debtors Systems' review.
- Identify the extra cashflow that is tied up in debtors because of delayed payment e.g.
 - annual credit sales \$1 million on 30 day payment terms the balance would be \$82,191
 - if debtors' days outstanding is 40 days, the balance would be \$109,589
 - if debtors' days outstanding is 56.4 days the balance would be \$154,520
 - in this example the business is financing an extra \$72,329 over and above the business' 30 day payment terms.
- Review your clients' debtors systems:
 - is there a written system?
 - is a new customer letter sent to each new customer with:
 - * Terms of Trade Agreement?
 - * Retention of Title Agreement?
 - * advising that no debtors' statements will be issued?
 - * advising that payment is due within 30 days of invoice date?
- Does a team member check that the new customer promptly returns the signed terms of trade and retention of title agreements?
- Is a team member responsible for deciding whether this new customer should be registered on the Personal Property Securities Register?
- Are team aware of the required lodgement dates for the Personal Property Securities Register?
- Are tax invoices, with the due date for payment clearly shown, promptly prepared and sent to customers?
- Is a courtesy advisory email sent to customers five days before due date for payment?
- Are follow-up emails immediately sent if payment is not received on the due date?
- Is the business utilising a system like IODM for debtors' payment monitoring?
- Is the debtors' days outstanding calculation prepared within 24-hour of the end of each month?
- Is follow-up action immediately instigated with any customer who has not paid on the due date for payment?

Implementing debtors' systems like this will contribute to ridding Australia of the dubious title of *"longest debtors' days outstanding in the world"*.

ESS BIZTOOLS and ESS BASIP have developed products to assist with the reduction of "Debtors' Days Outstanding" and the improvement of "Debtors' Management Processes."

The "Improving Debtors' Days Outstanding Package" incorporates:

- Debtors' Management Package
- SME Debtors' System Manual

For details of the "Improving Debtors' Days Outstanding Package" please go to www.essbasip.com.au.

A special webinar is being presented on **Tuesday, 20th June 2017 at 12:30pm** (AEST) - "How Accountants Can Help to Rid Australia of Longest Debtors' Days Outstanding in the World Title". Please [click here](#) to register.

If you would like to receive a free article on Debtors' Management please [click here](#).

If you have any questions on any aspect of the products that ESS BIZTOOLS/ESS BASIP have available to assist accountants in implementing Debtors' Management Systems for your small/medium enterprise clients, please do not hesitate to contact us.

If you have any question about any aspect of the services provided by ESS BIZTOOLS, ESS BASIP and ESS BIZGRANTS, please do not hesitate to contact us

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Have a wonderful day.

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