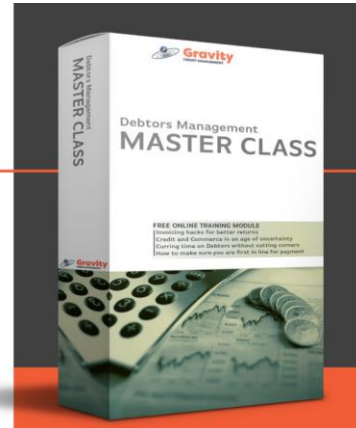




# Gravity

CREDIT MANAGEMENT

## DEBTORS MANAGEMENT MASTER CLASS



# Gravity Debtors Management Masterclass – Lesson 1

## Invoice for success

### Key point covered in this lesson:

- Invoice what was agreed on
- The legally correct invoice
- Timing is everything
- The T's and C's that matter
- Methods of delivery

## Invoice what was agreed on

Long before you get to the stage of invoicing, it is important to have a standard process in place where you record details of the agreed scope of work, amount quoted and payment terms. Although things might change along the way, it is important to keep records of these agreements, and proof that it was shared, acknowledged and accepted by the client. As things change, these amendments and additions to the scope of work and cost need to be recorded as well. Doing this is the first step in ensuring you get paid when the job is done.

This will also make the job of invoicing easier as there is no guessing involved. You can simply pull up the agreements and invoice accordingly. A good system also allows other people to do the invoicing as the information is readily available even though they were not part of the negotiating process.

And most importantly, the customer won't get any surprises and know exactly what they have agreed to pay. This drastically decreases the chance that there might be disputes or non-payment.

# The legally correct invoice

According to the Ministry of Business of New Zealand, the following information is legally required to be present on all invoices:

- Your business name
- GST Registration number if applicable
- Your customer's name and address
- The invoice number, date sent and due date
- A description of the goods or services provided, for example, date, quantity, rate and hours the amount payable
- The payment details, for example, your bank account or a credit card payment slip.
- A buyer's reference (many buyers request their suppliers to include purchase order numbers or other reference numbers).

You can use [this handy template](#) as a starting point and customise it to include your own details and company look and feel.

## **Apart from the basic legal requirement, there are some other considerations to keep in mind when creating an invoice:**

Keep it clean, clear and concise. Invoices with too much information and that are cluttered make it harder to find the information the client needs to make payment.

Consider using digital invoices with direct payment options online. This makes it easy and convenient to pay an invoice that is in front of you by simply clicking a button.

On printed invoices you can include a QR code that can be scanned to take the customer to a secure payment portal.

Consider using e-Invoicing for invoices sent to other businesses – where invoice information is sent directly between buyers' and suppliers' financial systems, even if these systems are different.

It improves accuracy and security, reduces process time and speeds up payments.

While terms and conditions are often dealt with separately, as a minimum one should include

*– We reserve the right to charge interest at current bank overdraft rates on late payments and also including but not limited to the costs of collection of any outstanding amounts.*

# Timing is everything

Customers often ask us when is the right time to send an invoice. The answer is always the same: As soon as payment is due and not a day later.

When payment is due will differ greatly between different business models but it always comes back to the initial agreement of payment terms.

If it was agreed that payment is due when the job is done. Then as soon as the job is done the invoice needs to be sent out. In other cases payment might be due when certain stages of a project have been completed, or when certain set goals were achieved.

In all instances it becomes very important that these goals or stages were predetermined and agreed on by both the client and the provider.

# The T's and C's that matter

An organisation's Terms and Conditions (T&Cs) creates a legally binding contract between you and your customers/clients. Since no two businesses are identical, they should be tailored to your business in order to be effective. As a general rule one must cover the following and of course add specifics to deal with the nature of your industry.

When you draft a Terms and Conditions agreement for your small business, you need to have the right mindset. This agreement exists to preserve your business under the worst developments. You need to draft it to offer that protection.

You can do that by following these tips:

- Never assume one size fits all. If you run a clothing boutique and your friend maintains a fitness studio, is it unlikely their T&Cs will work for you. You need to go beyond cut and paste or borrowing another agreement and customise this for you. It is okay to use other T&C agreements as templates if you need help getting started but never assume that what works for someone else will work for you.
- Imagine the worst-case scenario. Think of the worst customer and anything that can possibly go wrong. Draft your T&C to deal with those situations.
- Be presentable. Avoid small fonts and use paragraphs rather than long blocks of solid text. Even if this makes your T&C several pages long, at least it will be easy to read. Use simple vocabulary and avoid complex legal jargon. An incomprehensible T&C will not endear you to your customers.
- Get feedback. Put yourself in the position of your customer and read the T&C from their point of view. Have a friend or other layperson review the T&C to see if they understand it clearly. This helps you draft a clear agreement.
- Be consistent. If your industry depends on key commercial and trade terms, use them. If they are obscure or technical, define them in your agreement. That will actually place you in a stronger position as it reduces misunderstanding.

**A good Terms and Conditions agreement is the best time investment you can make for your small business. As a bare minimum it should include:**

- Introduction
- Definitions/Descriptions of products or services
- Acknowledgment
- Copyright Policy / Intellectual Property
- Payment Terms / Refunds and Returns
- Delivery timelines (if applicable)
- Warranties or guarantees
- Links to Other Websites (if applicable)
- Termination
- Limitation of Liability
- Governing Law
- Disputes Resolution
- Severability and Waiver
- Changes
- Contact Information

If all of this feels a bit overwhelming, feel free to get in touch for assistance:

**GET IN TOUCH**

## Methods of delivery

The best way to invoice your clients will be determined by the dynamics of your business. If you operate in a small geographical area, and know your customers well, few things would beat a hand delivered printed invoice.

If however you have hundreds of customers scattered all over New Zealand you'd have to rely on an electronic system to deliver them all timeously.

The important factor to consider is the success rate of the delivery system you are using. If you regularly have clients that state they did not receive your invoice when you follow up, you need to consider whether the delivery method is sufficient or not.

Also bear in mind that the delivery system is only as good as the information it works with so make sure your client database is updated regularly to ensure your customers receive their invoices.

## Some useful reading

