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# AccountAbility

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for November 2015

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## BEST PRACTICES: ACCOUNTS PAYABLE — by Diane DeClercq

Are you are bogged down by the busywork of tracking bills and payments? Have you found yourself being in a less-than-ideal relationship with your vendors and suppliers? Then there's a chance your accounts payable are out-of-control.



In the dark age, your accounts payable system consisted of an Excel spreadsheet, a 3 ring binder and a manila folder marked unpaid bills. Today, with technology and business advances, that system is inadequate. It is time to implement a system to save time, increase the accuracy of your financial statements, and secure your relationship with your vendors.

The management of accounts payable processing impacts two important business matters: cash flow and vendor/supplier relationships. On the cash flow side, your accounts payable practices make a significant difference to minimizing late payments, penalties, interest charges and loss of prompt payment discounts. As for vendor/supplier relations, honoring agreed upon payment terms will inevitably affect the trust between your company and your vendors/suppliers.

Take time to reevaluate the processing of your accounts payable. If

you are receiving invoices, you should use accounting software, such as QuickBooks. There are others, but QuickBooks is inexpensive and very easy for the non-financial person to learn. There are many training classes available at your local community college or you can hire Foresight as a coach.

If your business has several employees, delegate the data input and check printing tasks to an administrative level position. You or a senior level employee can do a final review of the invoice at the same time you sign the check. There are exceptions, but you should be able to process all payments once a week, not every time an invoice is received.

A basic daily task is to enter every incoming bill into your accounts payable system. Include the invoice date, the due date, the amount, the expense or cost of goods sold account it affects and any other relevant comments. It is important to use the actual invoice date not the received date or input date. This distributes the appropriate cost (for example, casket cost) against the same time period as the income is recorded for the funeral service which is often contract date.

90% of what you input is going to either be an Expense or a Cost of Goods sold item. I cannot tell you how many times we see an accounts payable entry coded to Accounts payable. This essentially creates a debit and credit to same account and the transaction is never reflected on your financials.

Ideally, credit card items and employee expenses should be input using the date charged or expensed. Remember, you want to keep expenses associated with income received in the same time period. This will also reveal trends such as when the most spending occurs for your business and in what categories.

Once you clean up your accounts payable you will have accurate financials to manage and budget for your business.

**For more information about how our Accounting Services can make a strategic impact on your business call Dan Isard at 800-**



**"If an invoice is due in 30 days, we pay it in 60 days. If it's due in 60 days, we pay it in 90 days. If it's due in 90 days, then they probably don't need the money anyway."**