

10 Ways to Enhance Your Accounts Payable Operations

By Jo-Anne Brown, CPA, Senior Manager and Kapil Rajgor, CPA, Senior Manager

Accounts payable (AP) operations are an essential part of a company's financial management to ensure bills are paid on time, good relationships with suppliers and, most importantly, cash flow is kept under control. Effectively managing the bottom line requires a well-run AP process paying close attention to expenditures, internal controls and preserving cash by avoiding payment of inaccurate invoices. Here are 10 fairly simple ideas to strengthen your AP operations.

- **Establish clear policies and procedures** to help ensure that all bills are paid promptly and accurately. This includes setting up a system for reviewing and approving invoices with clear guidelines for when bills should be paid.
- **Automate the accounts payable process.** Using software to automate the process of tracking and paying invoices reduces the risk of errors and frees up time for your team to focus on other important tasks.
- **Negotiate favorable terms with suppliers** to try to reduce the cost of goods and services and improve cash flow. This can include negotiating longer payment terms, bulk discounts or other concessions.
- **Utilize a purchase order system** to help ensure that all purchases are properly authorized and there's a record of the price of goods and services. This can help prevent fraudulent or unauthorized purchases.
- **Monitor and manage cash flow** to ensure that there is sufficient cash to pay bills on time. This can involve forecasting future cash needs and implementing strategies to improve cash flow, such as negotiating longer payment terms with suppliers or implementing early payment discounts.
- **Pursue discounts for early payment.** Many suppliers and vendors offer discounts for early payment of invoices. Taking advantage of these discounts can generate much needed cost savings.
- **Implement a payment prioritization system** to ensure that the most important bills are paid first. This involves ranking bills based on their impact on the business, such as bills for critical supplies and services essential to operation of the business.
- **Proactively communicate with suppliers.** Good communication builds positive relationships. Immediately let vendors know of any issues or concerns with invoices to ensure on-time payment.
- **Review, update and monitor** internal best practices related to your AP operations annually. Even if you believe yours is a well-oiled machine, it makes sense to review operations annually for what's working and what's not so you can make improvements along the way. With the higher cost of goods and services, effective cost management and identifying any potential cost savings is now more critical than ever.
- **Consider outsourcing** the AP function to a professional services firm if you don't have the resources or expertise in-house. We provide this service for many of our clients and they are pleased with improved accuracy, speed and efficiency as well as the potential cost savings versus employing a full-time employee.

Effective accounts payable management can improve cash flow, strengthen supplier relationships, reduce the risk of financial penalties, increase efficiency and facilitate better decision making. The combination of these benefits can ultimately help the company to achieve financial stability and success.

Contact Us

Should you have any questions about your accounts payable system, please contact your client engagement team or the following:

Jo-Anne Brown, CPA
Senior Manager
jabrown@pkfod.com

Kapil Rajgor, CPA
Senior Manager
krajgor@pkfod.com

Bruce Blasnik, CPA, CGMA
Partner
bblasnik@pkfod.com

Our Firm provides the information in this e-newsletter for general guidance only and it does not constitute the provision of legal advice, tax advice, accounting services, or professional consulting of any kind.