

14 Ways to Improve the Accounts Payable Process

9 min read



As the saying goes, you have to spend money to make money.

Key Takeaways

- **Go Paperless:** Paper invoices eliminate the risk of bills getting lost in the mail, dropped at the post office, or disappearing in your office – and then not getting paid...
- **Create and Revisit Your Budget Regularly:** You should create a budget at the beginning of the year and then revisit as soon as possible to make adjustments and compare your actual...
- **Outsourced Accounting Partner To Maximize Your Accounting Payable Processes:** The best part is that outsourced accounting services cost a fraction of the price of hiring a full bookkeeping and accounting team in-house, but you still have access to all of the services you need to make your back office run smoothly...

Yet, no one wants to have bills to pay (or to think about actually paying those bills).

In business, you can save money in the long run and even cure your case of "bills to be paid" dread by taking a close look at how you handle your accounts payable and paying your bills the smart way.

14 Accounts Payable Best Practices to Improve the Bill-Paying Process

1. Secure Your Accounts Payable Department

When designing your accounts payable vs. accounts receivable processes, you will need to think more clearly about establishing policies and procedures that protect your business from a variety of risks – both internal and external – that could result in losses due to fraud occurring in your accounts payable department.

While being careful not to create processes that are so stringent that they bog down your workflow, you do need to limit who has access to payables and establish proper controls or checks and balances regarding payment approval, processing, and account reconciliation. For

example, individuals responsible for remitting payments should not be the same individuals who reconcile the bank accounts.

2. Go Paperless

Switching over your accounts payable processes to digital invoices might seem scary if you're used to working with physical statements and invoices. However, it's actually a much simpler and more secure way to deal with all the bills you receive monthly. You don't have payables information floating around unfiled, which means there's also less filing work to do. Paper invoices also eliminate the risk of bills getting lost in the mail, dropped at the post office, or disappearing in your office – and then not getting paid.

Read More: [Your Bottom Line Is Taking The Hit. Is It Poorly Managed Accounts Payable?](#)

3. Streamline and Automate Processes

The accounts payable depart often handles more than just paying the bills. Streamlining and automating as many processes in this department will save you time and money and make sure that the processes are running as smoothly and efficiently as possible.

Start by establishing how you choose vendors, requirements you have of them (i.e. copies of their insurance, licenses, and tax documents), and a list of vendors who are already approved. Keep track of your contracts and agreements that are in place with vendors so that your accounts payable depart can easily check invoices against the agreements.

Next, establish [systems](#) to digitize and automate as much of the invoice, payment, and expense recording processes as possible.

→ We highlight recommend using bill.com to automate your billing processes and help you save both time and money. The average small business spends [\\$12 to pay a bill](#). By using Bill.com to pay bills electronically, the cost to pay a bill can be slashed to around \$1.50.

4. Evaluate Vendor Relationships

Take a close look at the relationships you have with your vendors. Consider whether there are any that you could maybe negotiate better payment terms with. Make note of any vendors with whom you could improve your relationship with such as vendors whose payments you have missed or have paid late in the past. Now, work on improving those relationships by paying on time and also adjusting your payment processes to fit their needs, if possible. For example, some of your vendors might prefer electronic payments while others might still want to receive physical checks in the mail.

Progressive Organizations Need A Scalable Accounting Solution

How much does an outsourced accounting provider cost?

5. Organize Your Vendor Data

Keep all of your information on vendors in one place. This includes approved vendors and their information (insurance, licenses, and tax documents), vendor contacts, and details of contracts (payment terms and early payment discounts available). As with invoices, it's best if you have an electronic file containing this information. (It's okay to keep hard copies, too. Just remember to update both files when changes occur.)

6. Always Pay on Time With Payment Reminders

If most of your bills come around the same time of the month, then any outliers can easily be missed or forgotten. If they all come at different times during the month, it can lead to pure chaos. Set yourself automatic calendar reminders for bill payment dates that you can anticipate. This way, you'll never pay late and get stuck paying late fees again.

Read More: [5 Advantages of Automating Manual Processes In Your Business](#)

7. Negotiate Discounts

Many vendors offer discounts on invoices, especially for early payment since this helps to shrink their own metrics on days sales outstanding and improve their own cash flow. If you have the free cash flow to do it, negotiate early payment discounts with your vendors and take advantage of them as often as you possibly can. While these discounts are often minimal, they add up when you're paying early every single month.

8. Prioritize Invoices

Once you've negotiated your discounts with vendors, sit down with all the bills your company pays each month and prioritize them in order of which bills to pay first. While keeping their actual due dates in mind, prioritize first paying those that offer you the biggest early payment discounts.

9. Create and Revisit Your Budget Regularly

Accounts payable simply cannot run smoothly if your company doesn't have a budget. You should create a [budget](#) at the beginning of the year and then revisit as soon as possible to make adjustments and compare your actual numbers with your budgeted numbers. When operating with a budget, you have a roadmap for spending, and it'll help you ensure that there's always money available for paying your bills.

10. Improve Cash Flow

If you struggle to pay bills on time or to take advantage of early payment discounts because of cash flow problems, then you need to take steps to improve your cash flow. If you don't, cash

flow problems could lead to the ultimate demise of your company because cash flow affects much more than the bills you do or don't pay on time.

"Our cash flow improved on the very first day GrowthForce took over billing and collections. They took the time to understand our processes and built best practices based on our unique needs. Our cash flow is so much better after we hired GrowthForce."

- Art Saxby, CEO Chief Outsiders™

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[Cash flow](#) can be improved in a variety of ways, most commonly, by cutting expenses and increasing prices. However, you need to be smart about which expenses you cut and how you go about raising prices. Detailed management accounting that carefully tracks expenses and time uses unit economics to help business owners scrutinize the ROI of every dollar spent with profit and loss statements by class. With this type of data, you can make smarter choices in your business operations to cut unnecessary costs and optimize your pricing structure to improve cash flow.

11. Build a Cash Reserve

If you have any extra money in your business, you need to decide what to do with it. Sometimes it can be reinvested or paid out to shareholders in dividends. Other times, however, extra money is best saved up to build a sizeable cash reserve that can bail your business out in the event of an unforeseen cash-flow shortage.

12. Regularly Reconcile Accounts

Regular account reconciliation needs to be an integral part of your accounts payable processes. Make sure each expense is recorded in your ledger as it is paid and that a running account balance is always kept. Be sure to check payment amounts and account balances against bank statements to ensure all payments are processing for the recorded amount, that all payments are recorded, and that your balances match.

13. Routinely Audit Accounts Payable

In addition to account reconciliation, you should also be routinely auditing your accounts payable department. Check the ledgers for duplicate payments, dummy accounts, fake vendors or invoices, unapproved payments, and any other signs of fraud. Establishing secure processes can shield you from some of the risks of fraud, but it is incredibly common – especially in small businesses – and it can result in significant losses.

14. Consider Outsourced Accounting Services for Businesses

If you're struggling to stay on top of your accounts payable processes or struggling to sustain a healthy cash flow in your business, then [outsourced accounting services](#) and the controller services they can provide could be the right solution for your company. Outsourced accounting service providers often offer scalable services provided by experienced bookkeeping and accounting professionals but at a fraction of the cost that you would pay full-time employees of the same caliber.

Outsourced accounting professionals can work with you to establish sound policies and procedures, streamline and automate your processes, and protect your company from fraud. They can also work with you to improve the overall operation of your company through management accounting and insights into your company's financial data.

Outsourced Accounting Partner To Maximize Your Accounting Payable Processes

Outsourced accounting exists to serve you. When you choose a reputable service provider, you'll work more like partners, with your outsourced accounting company enjoying success as a result of your own business's success. With high-quality accounting services, your business will benefit from having a team of experts at the wheel of your bookkeeping and accounting department. This ensures you're using the best bill payment software and other technology tools available, in addition to having exceptionally secure controls put in place with experienced professionals overseeing your security protocols.

The best part is that outsourced accounting services cost a fraction of the price of hiring a full bookkeeping and accounting team in-house, but you still have access to all of the services you need to make your back office run smoothly.

Your bills will be paid on time, every time, and you'll even get access to timely, accurate financial data that can help you make important, strategic decisions to steer your business to a more successful future.