



Three Mistakes That Businesspeople Do When It Comes to Accounts Payables

By Dr. Linda Hancock

ABOUT THE AUTHOR

Dr. Hancock has written a regular weekly column entitled "All Psyched Up" for newspapers in two Canadian provinces for more than a dozen years. Over the years, her readers and clients have said that they have benefited from her common-sense solutions, wisdom, and sense of humour. Dr. Linda Hancock, the author of "Life is An Adventure...every step of the way" and "Open for Business Success" is a Registered Psychologist who has a private practice in Medicine Hat. She can be reached at 403-529-6877 or through email office@drlindahancock.com

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None of us like to receive a handful of bills in the mail, especially if the amounts are going to take a huge chunk out of the chequing account. But bills arrive frequently throughout the month.

There are three things that are often done with payables that cause problems for the business owner as follows:

1. Not paying by the due date - Procrastinating or avoiding payment for any reason harms the business owner's reputation and adds additional costs in interest. When you make purchases, you need to realize that payment needs to be made on time and allow for that before finalizing the transaction. You see the other company expects and deserves to be paid according to the terms that you agreed to at the time of purchase. When you don't make the payment, you lose trust. Besides this, the company has the right to charge you interest at the rate that you were aware of before making the purchase. The result is that you will pay more and, if you do not pay by the next due date, not only jeopardize your credit standing but also will be paying interest on interest.
2. Not pay the full balance - It doesn't take long for the cost of an item to double through compound interest. Every time that you use credit rather than paying cash, you agree that the supplier can add interest charges on a specified date. The rate used can not only be significantly high, but is calculated on the full balance, including interest that was charged in previous months. When you charge something at 25%, you therefore will be paying this amount not only on the principle amount that you charged but also on the interest that has accumulated. It may take months or years to actually pay off the balance. You are better to never charge anything on credit unless you know that you can pay the full balance by the due date.
3. Not understanding or using good options when credit is needed - There are times when you might need to have business startup money or finances to cover large purchases such as inventory that will definitely lead to good profit in a reasonable period of time. Rather than using high interest credit, however, business owners would greatly benefit from finding and securing low interest loans or lines of credit. If you have protected your credit rating, this should not be hard to obtain. Your bank or Credit Union staff may even give you a lower rate than advertised to the public if you have a responsible credit history.