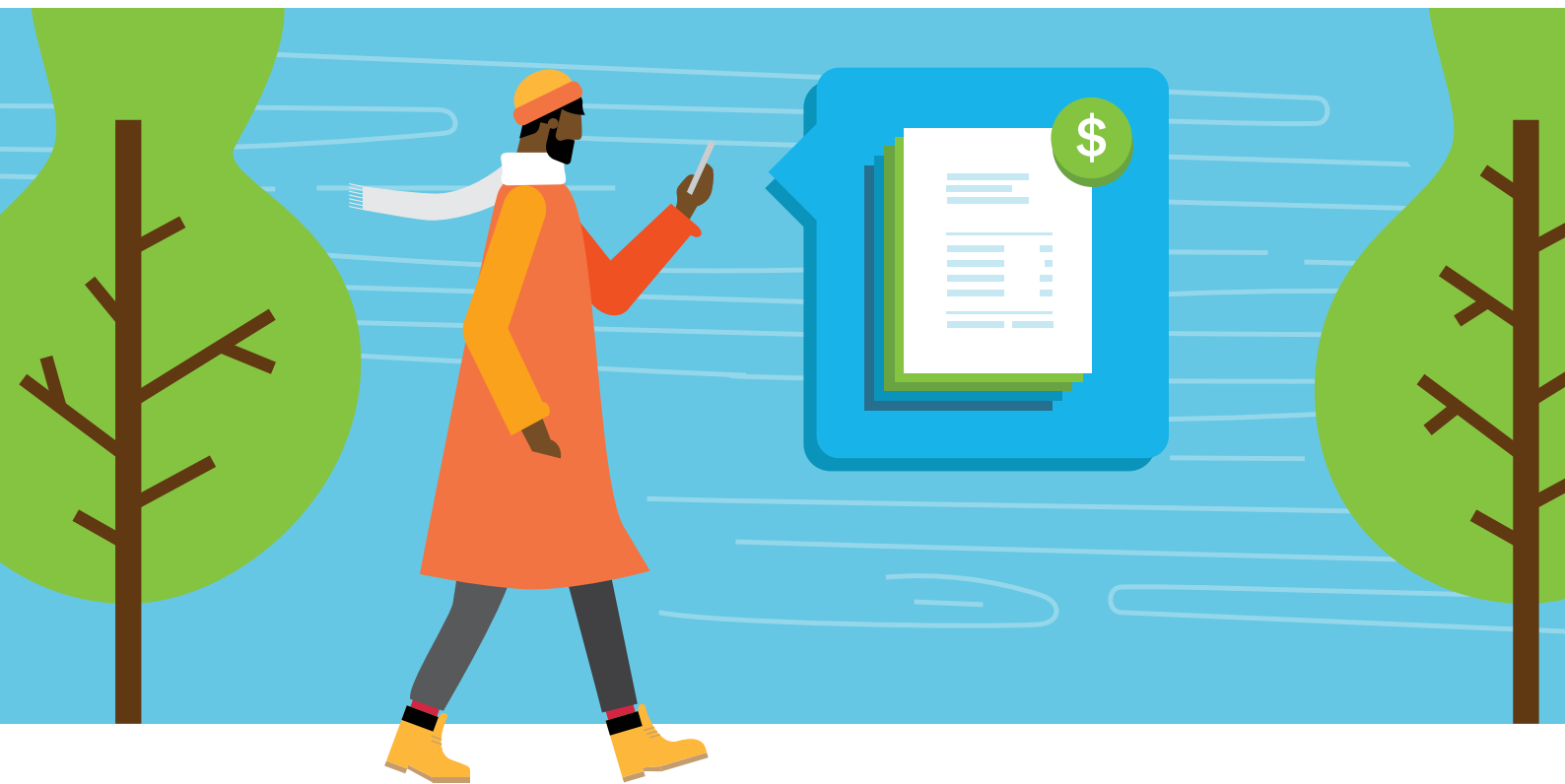# Your guide to invoicing

xero

Your guide to invoicing

Do your invoices go unpaid for ages?
There are proven ways to change that. Check out these tips on the art and science of invoicing to help speed up payment.

1

What is an invoice?

What is an invoice?

An invoice is a request for payment. It lists the goods or services you've supplied to your customer, and what they owe you in return.

Your invoices are also tax documents. You're required to keep copies to show what revenue you earned and any tax you might have collected on the sale.

Why are invoices so important?

Invoices are a request for payment, so it goes without saying that you need to get them right. If you make a mistake, a customer may refuse to pay, or they may pay you the wrong amount. That can cause a lot of embarrassment and frustration on both sides.

Invoices are also tax documents, so you may get into trouble if they don't comply with HMRC requirements.

What to put on an invoice

An invoice should identify the supplier, the buyer, and the goods or services that were exchanged. Here's what to put on it:

- your company name, address and the invoice number
- your customer's name and address
- details of the goods or service you provided and the cost
- instructions on how and when to pay

If you collected VAT on the sale, then you also need to show how much. Learn more in our chapter on making an invoice.

Invoice due date and payment terms

What use is an invoice if it doesn't get you paid on time? Make sure you tell your customer when payment is due, and how to send the money. Include information like:

- Deposit required: The amount of any deposit required.
- Due date: How many days (from the invoice date) the customer has to pay and the date when payment is due.
- Discount or late fees: The amount of any on-time discounts or late fees.
- How to pay: The methods of payment you offer, eg, internet banking, credit card, PayPal, cash, cheque. Include your bank account number or a link so customers can pay online.

What is an invoice?

Payment terms example

Write your payment terms in plain English on your invoice and make it clear how you prefer to get paid. Here's an example:

Payment is due 7 days from date of issue on dd mmm yyyy.

Discounted amount if paid by dd mmm yyyy: £xxx

Bank account for payment: [xxxx xxxxx xxxxx].

Payment can also be made via PayPal or credit card.

Please include the invoice number when you pay.

Check out our guide on payment terms tips.

And learn how you'll get your money faster by accepting online payment.

Extra tips for B2B invoices

- Check you've used the legal name of the business you're billing. This may be different from the trading name that you're familiar with.
- Don't automatically send the invoice to the person who placed the order or hired you. Ask if there is an accounts payable department.
- While you're at it, ask if they have a purchase order number for you to include on the invoice. If not, add the name of your main contact so they can approve the invoice.

"Create an email address specifically for dealing with invoicing and accounting. For example, set up accounts@yourcompany.com and send all your invoices from that email. It has a psychological impact when it comes to asking to be paid."

Paco Nicole, Founder, The Hell Yeah Group
Xero partner

What is an invoice?

Different types of invoice

Now that you know what a basic invoice is, let's look at some of the different types out there:

- Sales invoice – if you send an invoice, then it's a sales invoice (if you receive it, it's a purchase invoice).
- Tax invoice – invoices that include VAT may also be called tax invoices. VAT-registered businesses send tax invoices.
- Interim invoice – if you require progress payments on a big piece of work, you could send one or more interim invoices.
- Final invoice – the last in a series of interim invoices, a final invoice signals that the work is complete and that no other invoices will follow.
- Recurring invoice – if you charge your customer the same amount every time, you can just send a recurring invoice. These are great for subscriptions or leases.
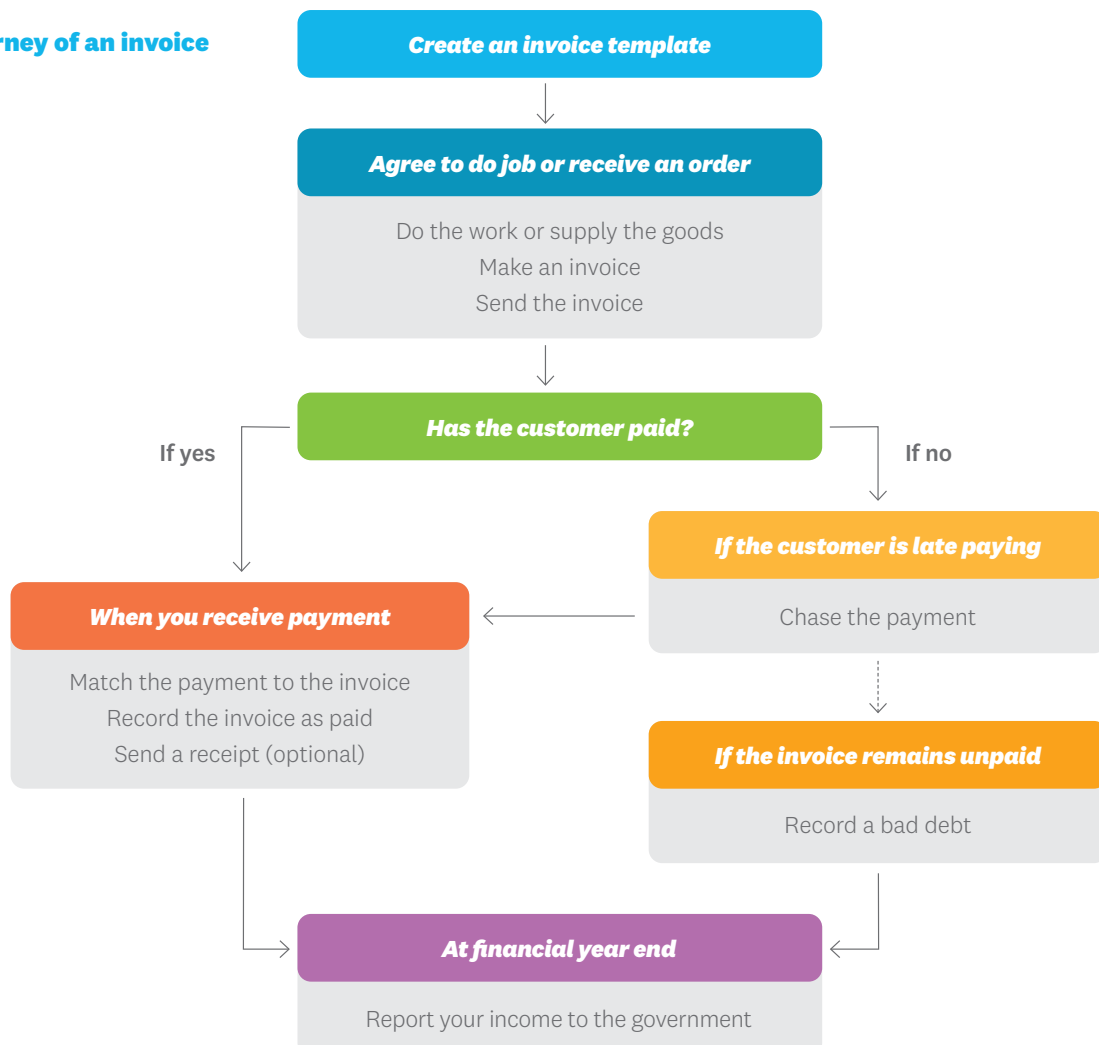
- Pro forma invoice – these are often used to show the price of goods so that an importer can calculate the customs costs before buying. They are not a record of a sale.
- Commercial invoice – these are also used to calculate customs on imported goods but in this case the transaction has taken place and the sale is official.
- Credit memo or credit note – these reverse a charge from a previous invoice. They're issued when goods are returned or when a customer was overcharged.

How invoicing works – from start to finish

There's more to invoicing than you might think. It's a process that begins when you take on a job and only finishes when the money comes in the door. There are quite a few steps along the way.

No one wants to be stuck in the office doing accounts, so automating as many steps as you can really helps.

Journey of an invoice

Create an invoice template

↓

Agree to do job or receive an order

Do the work or supply the goods
Make an invoice
Send the invoice

↓

Has the customer paid?

If yes ←   → **If no**

If the customer is late paying

Chase the payment

⤷

If the invoice remains unpaid

Record a bad debt

When you receive payment

Match the payment to the invoice
Record the invoice as paid
Send a receipt (optional)

At financial year end

Report your income to the government

2

How to make an invoice

Make an invoice

You've done the work; now it's payment time. Here's where your invoice plays a key role. Let's walk through the process of making an invoice.
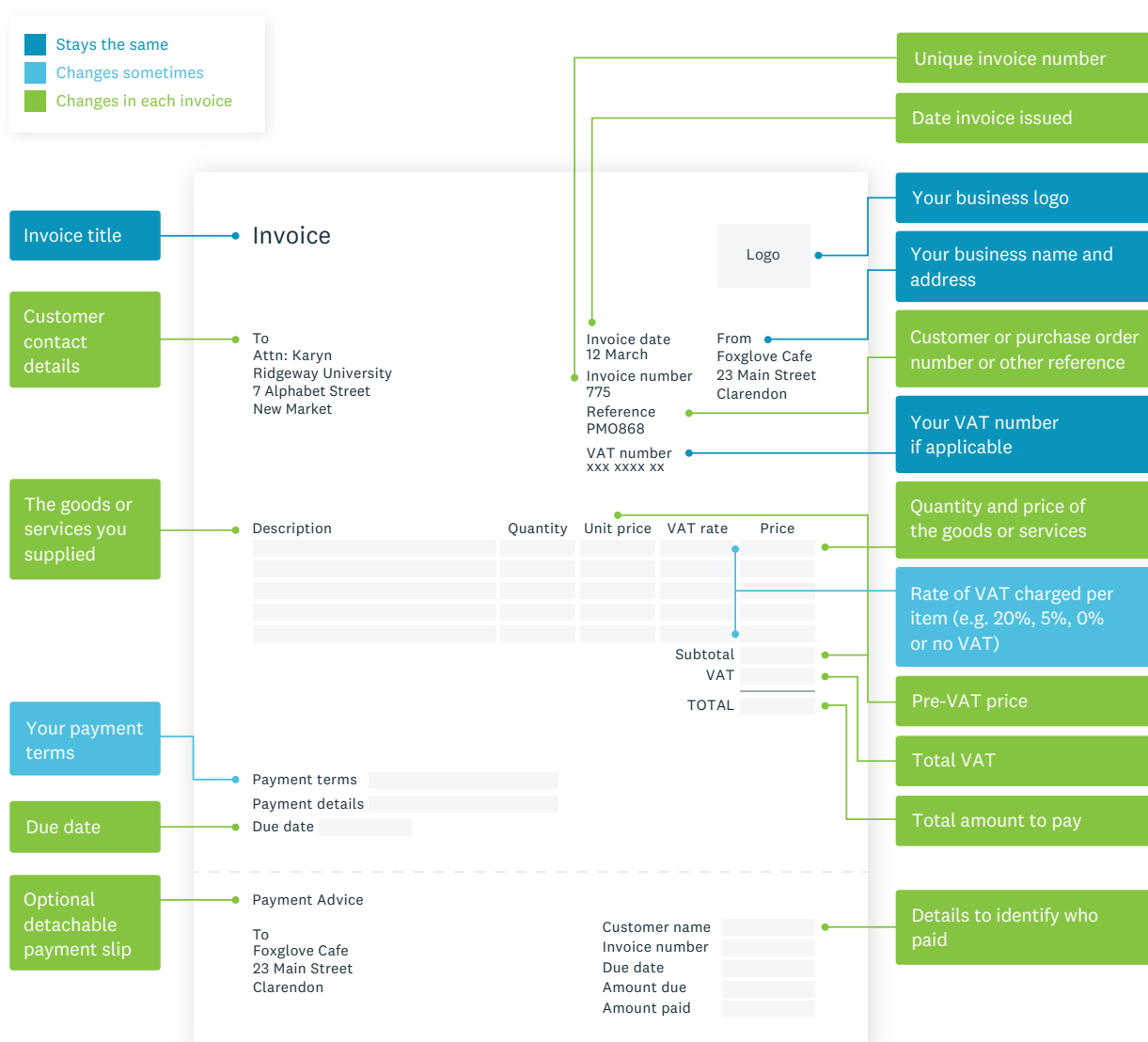
The etiquette of raising an invoice

Before drawing up an invoice, make sure your customer is expecting one. If your invoice comes out of nowhere, they may be slow to pay it, or even annoyed. Explain when you'll be invoicing before you start doing business with a customer. If you don't have an agreement in place, at least tell them when an invoice is about to be raised.

What information goes on an invoice

You need to show the seller, the buyer, and what was exchanged. You may also be required to show if you collected VAT on the sale.

Anatomy of an invoice

Stays the same
Changes sometimes
Changes in each invoice

Invoice title

Customer contact details

The goods or services you supplied

Your payment terms

Due date

Optional detachable payment slip

Unique invoice number

Date invoice issued

Your business logo

Your business name and address

Customer or purchase order number or other reference

Your VAT number if applicable

Quantity and price of the goods or services

Rate of VAT charged per item (e.g. 20%, 5%, 0% or no VAT)

Pre-VAT price

Total VAT

Total amount to pay

Details to identify who paid

Invoice

To
Attn: Karyn
Ridgeway University
7 Alphabet Street
New Market

Logo

Invoice date
12 March
Invoice number
775
Reference
PMO868
VAT number
xxx xxxx xx

From
Foxglove Cafe
23 Main Street
Clarendon

Description	Quantity	Unit price	VAT rate	Price
			Subtotal	
			VAT	
			TOTAL	

Payment terms
Payment details
Due date

Payment Advice

To
Foxglove Cafe
23 Main Street
Clarendon

Customer name
Invoice number
Due date
Amount due
Amount paid

Some of the details, such as your business name, will stay the same from one invoice to the next. Lock those things into your invoice template so you don't have to keep rewriting them every time. If you're not registered for VAT, you don't need to add in the VAT-related fields.

What is an invoice?

Here's more detail about what goes into an invoice.

Invoice details	
Logo	Your business logo if you have one.
Invoice title	The total cost before VAT of all the goods and service listed. Make sure you apply any discounts you've offered and include any shipping charges.
Invoice number	A unique invoice number which distinguishes each invoice from all others.
Invoice date	The date the invoice is issued.
References	
Purchase order number	The purchase order number if your customer has given you one. Otherwise the name of your contact person can be helpful to increase the chances of being paid promptly.
Customer number	The customer number if you use them to identify and keep track of customers.
Tracking number	The tracking number for shipping if applicable.
Your business details	
Name and address block	Your business name, address and contact details. Freelancers and sole traders can use a personal name.
Contact person	The name, phone number and email address of the person to contact if the customer has queries about the invoice.
Your tax number if applicable.	Your VAT registration details if you're VAT registered.
Customer details	
Name and address block	The customer's name and address to send the invoice to. If it's an organisation, check their legal name as it could be different from the trading name you're familiar with.
Shipping address	The name and address to send the goods to. May be optional if it's the same as the invoicing address.

What is an invoice?

List of goods and services	
Description	A brief description of each of the products or services you supplied.
Quantity	The number of items you supplied or the number of hours you're charging for.
Unit price	The price per item or per hour, or the fixed price you agreed upfront.
Price	The price for that item or service, obtained by multiplying the unit price by the quantity.
Amount owed	
Subtotal	The total cost before VAT of all the goods and service listed. Make sure you apply any discounts you've offered and include any shipping charges.
VAT	The amount of VAT that applies.
Total	What the customer owes including any discount, the total VAT (when applicable) and any shipping charge.
Payment terms	
Deposit required	The amount of any deposit required.
Due date	How many days (from the invoice date) the customer has to pay and the date when payment is due.
Discount or late fees	The amount of any on-time discounts or late fees.
How to pay	The methods of payment you offer, eg, internet banking, credit card, PayPal, cash, cheque. Include your bank account number or a link so customers can pay online.
Payment slip	
Customer name and address block	The customer's name and address to send the invoice to.
Invoice and payment details	Details you'll need to identify who the payment came from and what it's for including the: • invoice number • due date • amount due • amount paid

Make an invoice

How to create an invoice number

You need to have a unique invoice number on every bill you send. This is to help you, the customer, or potentially auditors to track down specific invoices.

An invoice number can be any string of numbers and letters. You can use different approaches to create an invoice number, such as:

- numbering your invoices sequentially, for example INV00001, INV00002
- starting with a unique customer code, for example XER00001
- including the date at the start of your invoice number, for example 2019-01-001
- combining the customer code and date, for example XER-2019-01-001

Your numbering system can help you organise and search for past invoices quickly.

Invoice details – how much do you need to put in?

Always provide a description of the goods or services supplied so the customer knows what they're paying for. If you provided a quote, use the same language in your invoice so the customer can see you're delivering on your promise.

You want your invoices to be concise, but provide enough detail that your customer doesn't need to come back with questions. Limit your invoice to a single page if possible.

If you need to provide a detailed record of the work done or a breakdown of the items used on the job, you can provide a summary on the invoice and add the details in an attachment.

Use an invoice template

The secret to a great invoice is having a great template to start with. A template – or templates – that you use each time, eliminates lots of copying and pasting and fiddly formatting.

Handwritten invoices are practically a thing of the past, so your choices are to:

- create a Microsoft Word or Google doc
- use a spreadsheet with simple formulas that calculate totals and taxes
- use a template that comes with your invoicing or accounting software
- or you can use our free template

If you're creating your invoices in a Word document or spreadsheet, save it as a PDF before sending. That simple step can give you some protection against fraudsters.

The unbreakable rule of making an invoice

By far the most important thing about invoicing is that you remember to do it. That may sound ridiculous, but people forget all the time.

Find a regular time that suits you to do your invoicing. That might be the end of the day or the end of the week. Put that time aside and just get on with it.

If it's fast and simple to make an invoice, you won't be so tempted to put it off. Consider using a mobile app so you can invoice on the go from your phone.

How can invoicing software help?

Software can speed up a lot of the processes around billing.

- They have dozens of templates to choose from
- You can drag and drop your logo to brand them
- They allow you to create quotes
- You can quickly convert a quote into an invoice
- Invoices can be created and sent on a phone
- You can offer a 'pay now' option for customers with credit or debit cards

Learn how to make an invoice the simple way, with software.

Main steps to follow when preparing an invoice

Here are the main steps:

1. Open your invoice template.
2. Add the date.
3. Enter the invoice number.
4. Fill out the customer name, address, reference and/or order number.
5. Enter a description of the goods or services.
6. Total the costs and double-check your maths.
7. Check and make any changes to the payment terms that apply to this customer or this job.
8. Get the invoice approved if you need to before you send it.
9. If you use a Word document or spreadsheet template, save the invoice as a PDF before sending to provide some protection against it being altered by fraudsters.
10. Once sent, file a copy for your tax records.

"Get the client, do the work, and invoice as soon as possible. Make the invoice so clear you get paid for it, no questions asked! The invoice should be your brand equity. The client should be in no doubt about the value-add you bring!"

Lisa Martin, Executive Director, Go Fi8ure
Xero gold partner

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How to send an invoice

Send an invoice

How you send invoices can have a big impact on how quickly you're paid. You want to send it at the right time, to the right person, with the right details in it. And the easier you make it for your customer to pay, the faster you'll get your money. Let's look at some of the basics.

Discuss invoicing before doing business

Just as you discuss pricing before reaching a deal with customers, you should also chat about billing. Set out payment terms explaining when you'll invoice (weekly, monthly, or when the job's done), and how long they'll have to pay. A customer should know when they'll need to part with their cash.

When to send an invoice

It's best to send your invoice as soon as an order is filled or the work is done – especially if you do one-off projects and odd jobs.

If you're working on a big project, you might send interim invoices every two to four weeks. And if you sell subscriptions or memberships, or you're on a retainer, you can send a recurring invoice at regular intervals.

Three ways invoices can be sent

You have options when it comes to getting an invoice into your customer's hands. Let's look at the pros and cons of post vs email vs online invoicing.

In the post

Post can still be best for customers that overlook emailed invoices, or don't use email at all. But compared to other methods, post is slow, less secure, and harder to get right (addresses often change).

By email

Email addresses are easier to get right and the invoices arrive faster. Plus the invoice can't really be lost. Just double-check you're sending it to the right person or department.

Via online invoicing

You can create an invoice online and send your customer a secure link to it. It's nice and simple for them, and you can see when they've opened it. Better still, online invoices allow you to include a 'pay now' button. Customers just click through to pay immediately via credit card, debit card, or automated clearing houses (like PayPal). Learn more about accepting online payments.

> *"The most important tip is to send your invoice straight away. Get it to your customer as quickly as possible – email is perfect for that. Better still, an app that lets you invoice while you're at the customer's premises!"*

Sharon Pocock, Kinder Pocock
Xero gold partner

Writing an invoice email

You'd normally send a short email message with your invoice. The most important part of your invoice email is the subject line. The customer may pay faster if you give them a reference like the purchase order number. You can ask your customer's accounts payable department what they like to see as the email subject.

You don't need an elaborate message in the body of the email. A greeting and single line message is enough. The invoice itself contains everything else the customer needs to know.
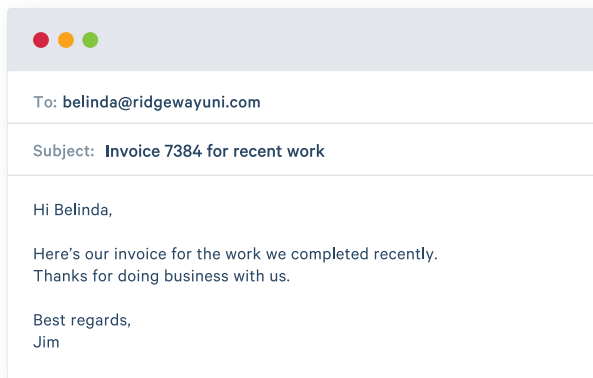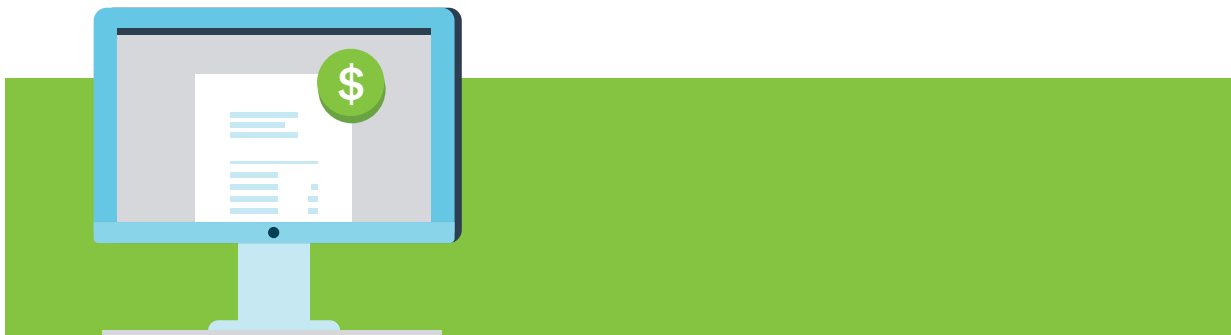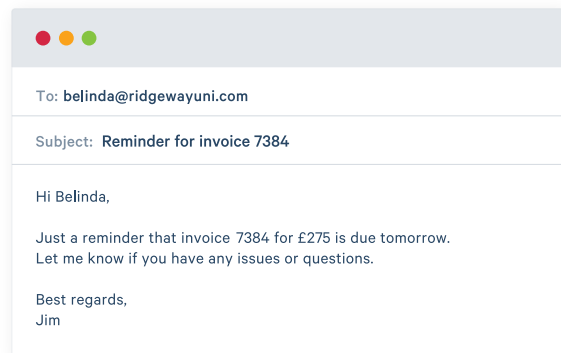
After the invoice is sent

To increase your chance of an on-time payment:

- **call after your first invoice to a new customer**
  Make sure it's been received by the right person, that they understand what it's for, and that they don't need any more details from you.
- **send reminders**
  If you're giving customers a long time to pay, it's not a bad idea to send a gentle reminder as the due date approaches.

What to send before it's due

If you give customers 14 days or more to pay an invoice, it's a good idea to remind them when the due date is coming up. Keep your email short, warm, and to the point.

To: belinda@ridgewayuni.com

Subject: Invoice 7384 for recent work

Hi Belinda,

Here's our invoice for the work we completed recently. Thanks for doing business with us.

Best regards,
Jim

To: belinda@ridgewayuni.com

Subject: Reminder for invoice 7384

Hi Belinda,

Just a reminder that invoice 7384 for £275 is due tomorrow. Let me know if you have any issues or questions.

Best regards,
Jim

4

Accepting invoice payments

Not surprisingly, the easier you make it for your customers to pay you, the faster you'll get paid. You can offer several options, from cash or cheque and internet banking transfers to online payment services. In this chapter, we'll show you the options for accepting payments.

Getting paid in cash or by cheque

Paying in cash or by cheque still suits some customers, but it does mean a trip to the bank and a bit of a delay before the payment is deposited.

Unless you're disciplined about recording the invoice as paid straight away, it's easy to lose track of who's paid. If your bank doesn't reliably enter the reference details you supply into their system, you may be none the wiser when you check your bank statement or bank feed. It's incredibly frustrating to see a payment on your statement with no way to identify who it came from.

Receiving payment by internet banking

If you provide your bank account details, customers can make a one-off or regular payment using their bank's internet banking software. It's convenient, but customers must be in the same country. They'll also need to log into their online banking to enter your bank account number, the amount to pay, and reference details. So there's room for error.

Offering online payment, pay now, services

If you send online invoices that link to payment services like Stripe or Go Cardless, it's easy for your customers to pay immediately on any device. When they open the invoice, they simply click on the 'Pay now' button. It makes life easier for your customers, and you're more likely to get paid faster.

Online payment services cost nothing to set up, though there's a small fee for each transaction. But when you look at the improved cash flow, online payments make it better for you and your balance sheet.

Using invoice financing

If you need the cash and you can't wait for customers to pay you, you could consider invoice financing. It's faster and more flexible than taking out a loan.

Invoice financing is offered by some finance companies. They'll typically advance you 80 or 90 percent of your unpaid invoices, so you get most of what's owed to you then and there, instead of waiting for your customer to pay. And you only repay the amounts financed as and when the customer payments come in.

Invoice financing isn't a regulated industry so you need to find a reputable provider and do your homework into the fees and other terms. It's worth talking with your accountant first about whether invoice financing is a sensible option for you.

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Sending late payment requests

Following up on late payments isn't a job anyone likes. It often gets put off in favour of easier or more enjoyable tasks. But it's critical to business health, so let's look at how to do it.

When to follow up on unpaid invoices

If an invoice goes past the due date – and almost half do – you'll need to prompt your customer. That often feels uncomfortable but don't put it off. You're not asking for a favour: the customer has accepted something from you and now it's time for them to keep their side of the bargain.

Keep an eye on your accounts receivable (the list of invoices that aren't paid) and tackle the oldest debts first. Aim to keep reducing the number of unpaid invoices and the total amount of money owing to you.
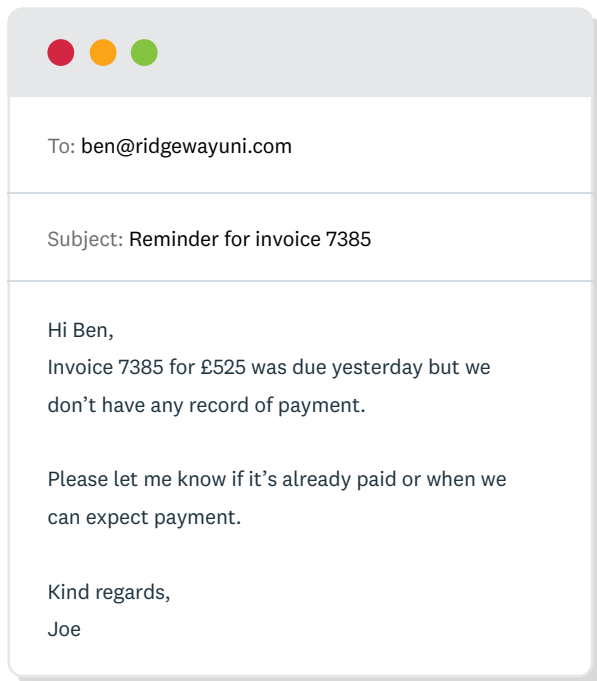
Ways to chase overdue payment

The longer you let an invoice go unpaid, the lower the chances that it ever will be. Follow up fast with gentle reminders, and take it from there. Here are your options for overdue invoices.

1. Write a payment request letter or email

The least daunting way to chase payment is to send an email. Be polite, quote the invoice number, say when it was due, and ask when you can expect payment. It's a good idea to send the invoice again with your message.

To: ben@ridgewayuni.com

Subject: Reminder for invoice 7385

Hi Ben,

Invoice 7385 for £525 was due yesterday but we don't have any record of payment.

Please let me know if it's already paid or when we can expect payment.

Kind regards,
Joe

2. Send a statement

A statement differs from an invoice in that it shows all the customer's unpaid invoices – or summarises all their invoices and payments – between two dates. Statements aren't commonly sent anymore but they can still be a useful form of payment request when a customer has more than one unpaid invoice.

3. Pick up the phone

A phone call is powerful – awkward to make, but effective. It's awkward for the customer too and that's why it works. You don't need to say much. Just be polite and friendly and tell them what invoice is late. Then let them do the talking.

If the client disputes some aspect of the invoice, stay calm and listen to what they have to say. Ask them to pay the rest of the invoice while you sort out the problem with them.

Always keep notes of your phone calls so that you have a reminder of the commitments your customer has made. Check regularly for their payment and phone again if necessary.

4. Charge a late payment fee

You can charge a fee for late invoices, but only if customers know you have a penalty policy. It's a good idea to write late fees into your service agreement, and get customers to sign it before you start doing business. Then you can mention that penalties may kick in when you're sending payment requests.

The gentle reminder email you don't have to send

Following up on invoices can be soul-crushing work. You can remove yourself from the equation by using an online invoicing system. The software keeps a list of all your invoices and watches your bank deposits for matching payments. When an invoice is still unpaid on its due date, the software automatically sends a pre-written email reminding the customer they owe you. You'll only need to get involved with cases where reminders have been ignored. Learn more about online invoicing software.

What to do when people just don't pay

Really reluctant payers are a fact of life, so what can you do when you encounter these sticky situations?

Agree on a payment plan

If your customer isn't paying because they're low on cash, you could suggest they make part payments over several weeks or months. It will make your bookkeeping a little harder, but it's worth it to get paid eventually. Remember to ask the customer to quote the invoice number in each part-payment they make, so it's easy to keep track.

Stop supplying them until the outstanding invoice is paid

Non-paying customers are bad for business, so you'll probably want to stop working with them. This can be complicated if their business is usually worth a lot to you. Cutting them off could signal the end of the relationship, so make sure you can live with that.

Get a debt collector to chase the overdue invoice

Debt collectors have a knack for getting overdue invoices paid out. That's why they're in business. But they may take 25% or more of the money as payment for their services. Check their terms before signing up.

Send a warning letter

A warning letter shows that you're willing to get lawyers involved. It sets out what will happen if the payment isn't made within a specified timeframe. It includes details of any interest payable and the threat of legal proceedings. The letter can be highly effective in recovering debts without actually having to go to court. A letter which has been prepared by a lawyer will not only cover all the required elements, it will also show that you're serious about collecting the debt.

Write off the invoice as a bad debt

You may decide these steps are too drastic for a small outstanding invoice. Or perhaps you'll try them and get nowhere. Either way, there's a chance you'll be left with an unpaid invoice from time to time. You need to write it off as a bad debt. This step is important for two reasons.

1. It ensures your books reflect the lost income.
2. It allows you to claim back any tax you may have already paid on the expected income.

Learn more about VAT and bad debts from HMRC.

"With past due invoices, we use Xero to send out automated invoice reminders. We set the tone to start light and become firmer as the invoices age. We also call the client – the answer may be as simple as changing the contact in our Xero record."

Cristina Garza, Accountingprose
Xero gold partner

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How to improve your invoicing process

Make invoicing better

Check out our tips for making the invoicing process simpler so it takes up less of your valuable time and the money flows in sooner. And see the additional benefits that online invoicing brings to businesses who make the move to the cloud.

Top tips for streamlining your invoicing

However you do your invoicing – whether it's manually, in spreadsheets, or using online invoicing software – these tips will help.

- **Provide written quotes for the customer to accept**
  Avoid miscommunication and misunderstanding by providing quotes in writing for your customer to accept before you start work.

- **Communicate by phone first time round**
  The first time you send someone an invoice, pick up the phone and talk to the customer accounts administrator to check everything is in order.

- **Make use of invoice templates**
  Save yourself rework and ensure you don't miss anything when you're writing up an invoice by using templates.

- **Invoice the moment a job is complete**
  Don't wait until the end of the month to send all your invoices. Invoice the moment a job is complete, or failing that, daily or weekly. Decide when and how often you'll invoice and stick to it.

- **Set payment terms that suit you**
  You don't have to wait 30 days for payment; a 7-day term is reasonable. But be aware that big companies will pay on their terms, not yours.

- **Offer customers a choice of how they pay**
  Payment services like Stripe and Go Cardless make it easy to get paid promptly online.

- **Follow up unpaid invoices promptly**
  Plan when you'll chase overdue invoices and make doing it a priority.

- **Train more the one person in invoicing**
  The flow of incoming cash won't come to a temporary stop if there are a few staff members trained to do invoicing tasks.

How online invoicing changes everything

Almost universally, businesses who've switched to online invoicing and online accounting are glad they did, and many rave about it. Tiresome tasks are automated, up-to-date information is always at hand and it can easily be shared online with your bookkeeper or accountant.

Automate tasks to streamline invoicing
Businesses that move their invoicing online save time, reduce costs and speed up payments. There's less for you or your staff to do because online invoicing software takes on most of the mundane, repetitive tasks.

It's easier to keep track of things because it's all held securely online. Documents don't get lost and it's convenient to search in one handy place when there's something you need to find out.

With your invoicing and accounts all part of the one system, everything is streamlined. You remove the potential for duplicate data entry, and the information in your accounts system updates automatically as you send invoices and receive payments.

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Automate tasks to streamline invoicing

Businesses that move their invoicing online save time, reduce costs and speed up payments. There's less for you or your staff to do because online invoicing software takes on most of the mundane, repetitive tasks.

It's easier to keep track of things because it's all held securely online. Documents don't get lost and it's convenient to search in one handy place when there's something you need to find out.

With your invoicing and accounts all part of the one system, everything is streamlined. You remove the potential for duplicate data entry, and the information in your accounts system updates automatically as you send invoices and receive payments.

Make invoicing better

See up-to-date information so you can make quick decisions

With online invoicing and online payments, each transaction is recorded immediately in your accounting software. This makes it simple to see what's owing to you and get a clear picture of your current numbers. Which is great when you've got decisions to make about spending, hiring, or taking on more work.

Collaborate so you're not going it alone

When you're using web-based accounting software, you can invite other people that you trust to access it remotely. Your accountant or bookkeeper can provide advice or help online from where ever they are. And your staff can share the work of quoting, recording expenses, invoicing, reconciling payments to invoices, and chasing overdue payments.

Go mobile for maximum flexibility

When your invoicing software is online, you'll be able to create and send invoices anytime, anywhere. So if your work takes you out and about, you can invoice as soon as a job is done.

Let the invoicing software do the work

These are just some examples of the advantages of online invoicing.

When you're setting up invoices or quotes, online invoicing software can:

- supply the next unused invoice number to a new invoice
- populate new invoices or quotes with your logo, name and contact details, payment terms and payment methods from a template

- offer accept or decline options on your quotes
- convert accepted quotes to invoices
- offer 'Pay now' options on your invoice
- pull customer names and addresses through into quotes and invoices
- populate quotes and invoices with descriptions of good and services
- include job costs and hours in the next invoice for the customer
- attach other documents (for example, PDFs) to an invoice and store them

When it comes to sending invoices, online invoicing software can:

- create and send repeating invoices
- send out invoices to a set schedule
- send automated reminders when payment is due or overdue

When you're checking your accounts, online invoicing software can:

- list which invoices the customer has opened
- show you which invoices are unpaid, and which ones are overdue
- identify which payments apply to which invoices
- tell you how much money is owing to you in total at any time
- report on which clients are consistently poor payers
- store your invoices securely and easily find them for you
- keep a detailed audit trail of each transaction

"Set up recurring invoices. They can be automatically saved as draft for further tweaks or automagically sent out on the same date each month. We do this for our recurring monthly fee clients. You never have to worry again, "Have I billed them?".

Don Grgic, Business Boost Centre
Xero silver partner

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Win at invoicing with these checklists

Whether it's choosing invoicing software, getting paid quickly or avoiding mistakes, we've made a few handy checklists so you know what to look out for.

Checklist 1: Choosing the right invoicing software

Here are some of the key things to look out for when you're choosing the right software.

Big picture considerations Overall, is the invoicing software:	
Straightforward and intuitive to use on a Mac, PC, tablet or phone?	☐
Robust enough to handle sales tax calculations for your country?	☐
Able to handle multiple currencies if you export, or may export in the future?	☐
Part of a complete accounting package or able to sync seamlessly with your accounting software?	☐
Able to offer easily understood charts and graphs that shows key business information?	☐
On the invoice itself Does the software:	
Convert quotes to invoices easily, taking all the details across?	☐
Make it simple to select a customer and pull in their name and address?	☐
Let you select items you sell so the description and price are pulled into the invoice?	☐
Let you create secure editable online invoices that customers link to?	☐
Enable you to offer your customers online payment options?	☐
Make it easy to produce invoices that are clear to read and look professional?	☐
Clever stuff to save you work Does the software:	
Connect to your bank accounts, and match payments to invoices for you?	☐
Integrate with an e-invoicing network to let you send invoices directly to your customers' software?	☐
Let you set up automatic invoice reminders to prompt customers to pay?	☐
Have a mobile app that makes it simple to send an invoice, look up customer details, record expenses, and check on payments?	☐
Transfer trial period information to your accounts once you subscribe?	☐

Checklist 2: Getting paid quickly so your cash flow stays healthy

Want to avoid late payments and keep your cash flow healthy? Here's a list of handy tips and tricks.

Avoid surprises

Work on the principle of 'no surprises'. Your customer should know what to expect from the start of the job. ☐

Make your invoices accurate and descriptive so the customer knows exactly what they're being asked to pay for. Don't give them a reason to come back to you with queries – which will delay you getting paid. ☐

Check their history

Check the customer's previous payment history with you before you agree to take on more work. ☐

Check the credit rating of new customers especially if it's a big job. ☐

Review the payment terms

Agree the payment terms with your customer (in writing) before supplying anything. It's important to set expectations up front. ☐

Customise your standard payment terms if necessary. If the customer has a poor credit score or they request a discount, you may want to shorten the payment term. For large jobs, you may want to invoice weekly or monthly rather than at the end of the job. ☐

Give customers less time to pay. About 40 percent of businesses now typically ask for payment within seven days.* ☐

Eliminate avoidable delays

Find out who the customer accounts person is. Make personal contact by phoning to introduce yourself and checking the address for the invoice. ☐

Once the work is done, send the invoice. Don't wait till the end of the month. ☐

In case the customer does have queries about the invoice, make it easy for them to get in touch with you by including the details of who they should contact on the invoice. ☐

Make sure you know which invoices have been paid and which haven't – and follow up the overdue ones quickly. ☐

*Xero invoices issued in 2015

Invoicing checklists

Invoicing situations to avoid

It's easy to make mistakes and take missteps when your business is just getting started – or even once it's been going for awhile. Here are a few common problems to avoid.

1

Your invoice payment terms are unclear.
Make sure you've got written agreement (an email is good enough) before you begin.

2

You forget to send your customer an invoice.
Create and send the invoice as soon as the job is done.

3

You spend all day chasing late payments.
Set up automated invoice reminders in your software so customers are prompted to pay before the invoice is due – and at various points afterwards.

4

You're too lenient about your payment terms.
Remind yourself this is a business exchange. Include a tight payment date in your initial agreement and on your invoice.

5

You don't offer customers alternate payment options.
Offer different payment options and include clear instructions on your invoice.

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Where to next: tools and guides by Xero

When it comes down to it, there's no one right way to run a business or do invoicing. But online tools and apps make a huge difference to how connected business are to their customers and how efficiently they run.

Handy tips and tricks for your business

Xero has a host of useful guides on small business topics like marketing, invoicing, payroll, bookkeeping and more. Take a look at some of them for yourself.

Browse small business guides.

Discover more about Xero

Xero is a great tool for most small and many medium-size businesses. You can try it for free and see how it could lighten your workday. If you're keen to learn more about Xero, check out these resources:

- Xero product features
- Xero TV short videos
- Xero education courses and webinars

Beautiful business

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