

Title:

Accounts Receivable Financing, Tax Write Off And What Does It Cost?

Word Count:

406

Summary:

Banks won't lend money to a business seeking to acquire larger contracts because its not viewed as an asset. So if you are a small start up company, funding for expansion may be hard to obtain. Accounts Receivable Financing could be the key to funding for a start up with desires to bid on large Government (or Corporate) contracts.

So what is Accounts Receivable Financing? It is the selling of your accounts receivable invoices for cash versus waiting 30-60 or 90 days to be ...

Keywords:

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Article Body:

Banks won't lend money to a business seeking to acquire larger contracts because its not viewed as an asset. So if you are a small start up company, funding for expansion may be hard to obtain. Accounts Receivable Financing could be the key to funding for a start up with desires to bid on large Government (or Corporate) contracts.

So what is Accounts Receivable Financing? It is the selling of your accounts receivable invoices for cash versus waiting 30-60 or 90 days to be paid by your customer. Accounts Receivable Financing is also know as Factoring.

Securing the services of an Accounts Receivable Financing Company will allow a small company to bid on almost any contract within reason. A small company would know in advance that the funds needed to produce goods or provide services are available once they win the contract. In fact, some A/R Companies will advise you on which companies they will Factor Invoices from and which to avoid! (Federal Government contracts are considered "gold" however not all Factoring companies can handle Government Receivables)

One of the major concerns for most small business owners is how much does Accounts Receivable Financing cost? Between 1 to 5% generally speaking. Since Accounts Receivable Financing rates depend on the credit-worthiness of your

customers, your average invoice, average payment cycle, and factoring volume, its hard to predetermine the exact cost of the money. However, you should remember, whatever the cost is: Its TAX DEDUCTIBLE and this is important. This means that the cost to factor is offset by IRS.

Not all Factoring companies are created equally (you can't tell that by looking at their web pages). A Cash Flow Consultant or an Accounts Receivable Broker can stir you in the right direction. There are issues such as: process to acquire funding, will the Accounts Receivable Financial company (factoring) company handle your collections, will they provide the funds through a credit card or will they wire the monies into your business checking account, will the Accounts Receivable Financial company factor with recourse or without recourse? (Meaning will they take responsibility for the debt or will you the client take ultimate responsibility? The rates are different)

Sometimes an A/R Broker has a choice, but not all the time. For instances, there are not that many companies that provide Accounts Receivable Financing for health care or construction. It all depends on what type of business you have and what your needs are.