

Title:

Achieving Cash Flow Management Through Accounts Receivable Factoring

Word Count:

419

Summary:

Accounts receivable factoring is another mode of receivables management and working capital funding to eventually increase the cash flow. Accounts receivable factoring involves buying and selling of accounts receivables in order to obtain immediate cash or working capital.

Accounts receivable factoring helps in acquiring cash for the product or the services rendered. It results in immediate cash inflow without creating any debt or transferring the business ownership. Acco...

Keywords:

Factoring Services, Invoice Factoring, Invoice Discounting, Factoring, Accounts Receivable Factoring

Article Body:

Accounts receivable factoring is another mode of receivables management and working capital funding to eventually increase the cash flow. Accounts receivable factoring involves buying and selling of accounts receivables in order to obtain immediate cash or working capital.

Accounts receivable factoring helps in acquiring cash for the product or the services rendered. It results in immediate cash inflow without creating any debt or transferring the business ownership. Accounts receivables are the most values assets for any company. It is one of the mode for increasing sales and expanding business. The payment is done of the 80% of the invoice value. The 20% of the value is kept as reserved and is paid after deducting the fee once the amount on the invoice is due.

This practice if accounts receivable factoring is most suitable for small and medium business owners. Due to accounts receivable factoring small and medium business owners are able to generate cash and avoid the debt trap. It also helps in representing string financial status and avoids interest on any loans if otherwise taken.

Accounts receivable factoring also results in increased working capital as

receivables are conditional on customer's creditworthiness and not the business owners. It helps to avoid loan repayment, transferring business equity, engaging the assets, and also avoid yearly loan review process. For a small business owner accounts receivable factoring represents gaining working capital without overtaking any debt or loan. It is also a mode to increase sales without any repayment tensions for any loans etc. Thus business is able to meet demands and the circle keeps on auto-rotating as accounts receivable factoring increases sales and increased sales asks for more money to complete more orders.

Accounts receivable factoring also provides relief from non-paying clients or slow paying clients. It generates more sales due to increased orders. It also offers flexible funding program to help heighten the sales graph and take vendor discounts due to availability of cash.

This practice of accounts receivable factoring generates cash to fund the payrolls and taxes due. The funds thus generated also help to increase the inventory or buy new equipments, tools, etc to flourish the business.

The availability of cash helps small business owners to negotiate for discounts from their vendors and suppliers. It also helps to reduce book keeping, depositing checks, monitoring collection process, and preparing reports for collections. Brokers or agencies also provide their services for accounts receivable factoring. They help the business owners to manage their collections, payments, generating more cash and managing their cash inflow process.