

Title:

Invoice Factoring As A Short-Term Cash Flow Solution

Word Count:

416

Summary:

Invoice factoring refers to the practice where smaller companies sell invoices in order to receive money today. IN this case they do not have to wait for a credit period of 30, 60, or 90 days. Thus by selling invoices smaller companies do not create debt. This practice of invoice factoring is basically used as a finance management tool.

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Keywords:

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

Article Body:

Invoice factoring refers to the practice where smaller companies sell invoices in order to receive money today. IN this case they do not have to wait for a credit period of 30, 60, or 90 days. Thus by selling invoices smaller companies do not create debt. This practice of invoice factoring is basically used as a finance management tool.

This practice of invoice factoring is usually adopted to avoid any loans or giving any collateral against availing any loan. The fee for invoice factoring is paid in terms of discount. This discount can ranger anywhere between 2.5% to 7%. As a result of invoice factoring the smaller companies avoid exhibiting any loans on their balance sheets plus they also do not have to pay any interest for the money taken. This results in better profit figures.

Various agencies also help small companies in invoice factoring. These agencies set up the company with the right factor for a particular factoring situation. If someone has an invoice or any receivable to be factored then these agencies come out to help in the same.

These agencies help the manufacturers, distributors, importers, exporters, wholesalers, contractors, suppliers etc equivocally. They also help truckers in

construction invoice factoring. These agencies help to locate best factor for a particular situation within the area or can also help to choose from nationwide factoring companies to avail the best rates. They usually customized solution as per the clients need. To avail the services of such companies firstly a form needs to be filled out stating the type of receivables and other details required for invoice factoring. Then these companies approach the probable paying parties that avail invoice factoring. Some of these agencies assume the risk in the deal for non-recourse factoring where the client is not required to pay back.

There are different types of companies with different types of rates for factoring. Any invoices or receivables to the amount of \$100,000 can be factored immediately. The average rate payable for discount in such cases is 2-5%.

Some agencies specialize for a certain category of invoice factoring. For example, some agencies indulge only in invoice factoring for medical industry. Some agencies, which cater to small and medium businesses for invoice factoring, create invoices online and receive immediate funding. They usually give a 24 hours turnaround. Other types of agencies also give funds to small businesses for their day to day operations against collateral of their invoice or purchase order. These kinds of agencies also buy mortgage notes, structured settlement annuity or medical receivables.