

How To Efficiently Impact Accounts Receivable and Accounts Payable

Adapted from a blog article written by Amanda Rolfs for blog.centralnational.com



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The biggest concern to business owners in the current environment is “how can I get paid?” More specifically, “how can I get paid quicker or more efficiently?” Maybe you have an accounting software that creates, tracks, funds and applies payments for you. If you do, you’re in the select few! If you don’t, join the club. I think they meet weekly.

Central National Bank offers a variety of business services to our customers, and one of them is ACH services. If you’re not familiar with what an ACH is, ACH stands for *Automated Clearing House*. This form of payment is done using an electronic processing system that uses the routing and account number to process funds transfers. Using the ACH Network, funds are electronically sent from bank-to-bank with the stipulations that you set upon creation.

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What are the advantages?

You can utilize the same software platform to send your direct deposit for payroll, deduct from your customers for your one-time or recurring accounts receivable, or pay your one-time or recurring accounts payable to vendors. This allows you to decrease time spent on your billing/invoicing process and focus on your business.

Are you tired of writing payroll checks on Fridays? If you are, I bet your employees are just as tired of taking them to the bank Friday night after their shift ends, waiting in line to cash it, then going to the grocery store for their weekend provisions. ACH services give you the freedom to initiate the transaction any day of the week. The money will show-up in your employee’s account as early as the next business day, and they are happy to be able to utilize that money throughout the day on Friday; effectively getting them home to begin their weekend earlier than normal.

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For Accounts Receivable, your customers will be able to set up automatic payments or one-time payments, which will allow you to spend less time collecting checks from them. Customers always appreciate it when businesses make it easier for them to make payments or handle their business. This will also allow you to minimize trips to the bank to deposit checks. Simply gather a signed Authorization Form from your customer at the first payment. This form will give you the necessary “permission” to deduct from their account at agreed upon intervals. It also includes the necessary account information that you need from them to process the transaction. You can’t lose or misplace checks that you don’t have. This coupled with fewer trips to the

bank will allow you to spend more time on other tasks that can make your business run more efficiently.

Net 30 and Net 60 are tough words to swallow when it comes to invoices that you need to pay. Balancing the cash flows to make sure that you are paying on-time, but not putting yourself in a bind. "I wrote that check two weeks ago. Why haven't they cashed it yet?" Or, the dreaded "lost mailing" tracking notification from the post office. I heard those go to Atlanta, never to be seen or heard from again? Just like Accounts Receivable, get a signed Authorization Form from your vendor at the first payment, then electronically send your payment to them as early as the next business day. They will appreciate you, and YOU will appreciate you!

How safe is this?

I know what you're thinking. "There is no way this can be secure. Why in the world would they trust me with their bank account information?!" Think about when you write or receive a check, the same information is visible for all to see right there on the bottom

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of it. Since fewer parties are involved in the handling of an ACH payment, your information is at less risk than almost any other form of payment. On top of that, the actual file being sent is encrypted. NACHA – National Automated Clearing House Association (not the delicious cheese dip) defines the parameters of the information within the file. If you or I were to intercept it, we wouldn't be able to tell what it says anyway!

Physical checks can be lost, stolen or duplicated putting your customers at risk. While debit cards and credit cards are very secure, fraud still happens there as well, but electronic payment methods make things more secure as there is less information changing hands. More secure payment methods

can help build a business's reputation over time.

Central National Bank is happy to provide quotes and conduct demos of these products to suit your needs. Give your local branch a call, and we're happy to provide additional information, or even do some brainstorming to get your business operating more efficiently. We understand the importance of day-to-day operations with your business. In many cases, profitability is dependent upon your efficiencies. Making transitions can be scary. Let Central National Bank lessen the load. For questions about services, I encourage you to contact Central National Bank at treasurymanagement@centralnational.com
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