

# PAYABLE DAYS

## Where's **MY CASH** Gone?® PRINTABLE WORKBOOK



We'll start this workbook with a quick test, to see how much you can recall from the book. Try to get the answer from memory first before consulting the book - it's fun, but it will also make your brain get out of autopilot and into learning mode!

**What are *Accounts Payable*?**

**What are *Payable Days*?**

**What is the formula for working out Payable Days:**

**Circle the correct answer:**

It is better to have a *high / low* number of payable days.

My goal as the business owner is to *reduce / increase* payable days.



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### Calculate your current payable days:

#### Step 1:

Print out two different balance sheets, one to establish a starting point and one to establish an end point.

#### Step 2:

Calculate average payables

$$\text{average payables} = (\text{beginning payables} + \text{ending payables}) \div 2$$

#### Step 3:

separately, add your *COGS* to your *overheads*, then subtract your *payroll*.

$$\text{COGS} + \text{overheads} - \text{payroll} =$$

#### Step 4:

plug it all into this equation:

$$\text{payable days} = \text{average payables} \div (\text{COGS} + \text{overheads} - \text{payroll}) \times \text{days in time period}$$

My current payable days are:

Now let's work on increasing them...



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Do you know the payment terms of ALL the businesses you deal with? yes / no

Do you have a system for paying invoices? yes / no

Is it strict? yes / no

Do you adhere to the system? yes / no

How long do you spend paying invoices each week/month?

Are you able to reduce that time? yes / no

If yes, how?

What would you be able to do with the saved time?

What would it mean to your operating cashflow if you were to adapt your payment system so that you could pay each invoice on the very last day according to the terms of payment?

Have you recently contacted your suppliers to investigate better payment terms? yes / no



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Do you know which of your suppliers would be most amendable to giving you better terms?

What would it mean to your business if you could make all your 30-day accounts 60-day ones?

Being penalised financially for paying your bills late is not only a huge waste of money, it's also very bad business practice. Think about it from your suppliers' point of view. They don't like having to chase you up for being late paying what you owe just as much as you don't. It makes them feel uncomfortable and uneasy.

Paying penalties for late payment is just like throwing money out the window. It's extremely wasteful and totally avoidable. It'll dent your cashflow situation seriously because you'll have nothing to show for it. And it'll get you a bad reputation which will take you years to correct.

Do you take an active interest in ensuring that you don't rack up unnecessary fees and charges by paying your bills late?

Do you have a system to control this?

yes / no



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No doubt by going through this workbook you'll have some things that you can do, so take action **right now**. Most of them are really easy to fix, and are just a matter of **doing it**. If you have any trouble with implementing any of these strategies, or if you're confused in any way, please get in contact with my team.

Bruza

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**To do list from this workbook:**

