# SOP: Invoicing and Payment Processing

This SOP details the **invoicing and payment processing** procedures, covering invoice creation, approval workflows, payment terms, methods of payment accepted, reconciliation of payments received, handling of overdue accounts, and documentation requirements. The goal is to ensure accurate billing, timely payment collection, and effective management of financial transactions to maintain healthy cash flow and customer satisfaction.

## 1. Purpose

To outline a standard procedure for invoicing, payment collection, reconciliation, and overdue account management, ensuring accuracy and efficiency in financial transactions.

## 2. Scope

This SOP applies to all staff involved in the creation, approval, dispatching, and management of invoices, as well as processing and reconciliation of payments from customers.

## 3. Responsibilities

- **Sales/Project Staff:** Provide accurate billing information and verify completion of deliverables.
- **Accounts Receivable:** Prepare invoices, track payments, and manage overdue accounts.
- **Finance Manager:** Approve invoices and oversee reconciliation activities.

## 4. Procedure

### 4.1 Invoice Creation

1. Obtain sales order or contract and delivery confirmation.
2. Prepare invoice using the company's ERP/accounting system, including:
   - Customer details (name, address, contact)
   - Invoice number and date
   - PO/reference number
   - Itemized list of goods/services
   - Applicable taxes and total amount due
   - Payment terms and methods
3. Attach supporting documents (delivery note, timesheets, etc.).

### 4.2 Invoice Approval Workflow

1. Submit drafted invoice and supporting documents to the Finance Manager.
2. Finance Manager reviews for accuracy and compliance.
3. If approved, invoice is finalized and authorized; if not, returned for correction.

### 4.3 Dispatching and Tracking Invoices

1. Send approved invoice to customer using the agreed delivery method (email, EDI, postal mail).
2. Record invoice dispatch date and method in the accounting system.
3. Update invoice status to â€˜Sent' and log in the aging report.

### 4.4 Payment Terms and Accepted Methods

| Standard Payment Terms | Accepted Payment Methods |
|---|---|
| Net 30 days from invoice date (unless otherwise agreed) | Bank Transfer, Check, Credit Card, PayPal |

### 4.5 Payment Reconciliation

1. Monitor bank statements and payment gateways for incoming payments.
2. Match payments to outstanding invoices in the accounting system.
3. Update invoice status to â€˜Paid' upon full payment receipt.
4. Investigate and resolve discrepancies or unidentified payments.

### 4.6 Overdue Accounts Handling

1. Review the aging report weekly.
2. Send payment reminders according to the overdue period:
   - 1-7 days overdue: Friendly reminder
   - 8-30 days overdue: Formal reminder
   - 30+ days overdue: Final notice and possible escalation

3. Escalate persistent overdue accounts to Finance Manager for further action (payment plan, suspension of service, debt collection).

# 5. Documentation Requirements

- Retain all invoices, supporting documents, and payment evidence for a minimum of 7 years.
- Ensure documents are securely stored and easily retrievable for audit or reference.

# 6. Revision History

| Date | Version | Description |
|---|---|---|
| 2024-06-15 | 1.0 | Initial SOP release |