

Establishing a Corporate Accounts Receivable Deduction Policy and Securing Management Buy-In

Kristen Metzger, CEO Smyyth, co-founder Carixa

Originally published in the Credit Research Foundation's publication, Perspective by CRF (Q1 2024)

Introduction

Accounts receivable (AR) deductions can pose significant business challenges, impacting cash flow, profitability, and customer relationships. Establishing a robust corporate accounts receivable deduction policy is crucial to effectively managing and mitigating these challenges. However, implementing such a policy requires the buy-in and support of management across various departments. This article outlines the steps to create a comprehensive AR deduction policy and strategies to obtain management support.

A written corporate Accounts Receivable Deduction Policy is needed to avoid problems with customers who take deductions without providing proof of their validity and sinking your profits as a result. The policy must be clear, and consistent policy enforcement is important.

Depending on the type of deduction, customer error rates can exceed 10%. Consequently, they must be properly researched, charged back to the customer if invalid, and followed through to successfully recover the *monies rightfully owed to you*. Managing high volumes of deductions also requires...

This article is only available to members of the Credit Research Foundation (CRF).

Interested in reading more? Join CRF to gain access to this and hundreds of other resources! [CLICK HERE](#) for membership information.

About the Author



As CEO of Smyyth and co-founder of Carixa, Kristen has a deep understanding of enterprise accounts receivable and revenue cycle optimization through automation and is a Certified Six Sigma Black Belt. Before Smyyth, Kristen served as Sr. Vice President Operations for Creditek, the leading BPO firm in order-to-cash, where she managed operations for numerous Fortune 1000 companies, including CPG and Pharmaceutical, and earlier with Accenture Strategy and Business Architecture.

Kristen received a BA in Economics from The University of Vermont and has an MBA in Strategy and Finance from the University of Chicago Graduate School of Business.