

Customer Invoice Finance Accountant Example

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The Business Challenge

An anonymous accounting firm – referred to as *Accountant 1* – had just taken on a new client who was in deep trouble with the Australian Tax Office (ATO). Due to several reasons, the client had tax arrears that had grown in excess of \$1 million. The client moved their services to *Accountant 1* in order to gain expert knowledge on how to clear the debt, as the lack of engagement with their previous accounting firm allowed the debt to grow completely unchecked.

Accountant 1 recognised the seriousness of this issue and immediately organised an arrangement with the ATO to pause the proceedings, allowing them to find time to raise capital to clear the debt. A second mortgage against the home of the client was taken out, however this only accounted for a small fraction of the total capital needed. Key items of machinery were being rented, which added to the extreme cash strain each month, and there was no option to sell and lease back machinery the client owned due to the ATO arrears. *Accountant 1* needed to find a way to raise a significant amount of capital quickly.

The Solution

As most traditional lending options were exhausted, AddCash Finance were approached by *Accountant 1* to provide a customer invoice finance facility. Customer invoice finance was sought after by *Accountant 1* as it can be set up and executed extremely quickly compared to traditional lending and it leverages an asset being the debtor’s ledger that had not been used by the client to raise finance previously.

AddCash Finance was engaged to provide this short-term debtor financing facility and clear most of the debt owed to the ATO. As the client dealt mostly with the state government, the time to pay invoices was quite long, but they were guaranteed to be paid. This meant AddCash Finance was able to lend 80% of the value of unpaid customer invoices upfront and return the balance to the client when the customer later paid, less the finance fees.

AddCash Finance was also able to provide a further \$100,000 secured by a piece of earth moving machinery to cover the final balance owing to the ATO and provide some operating cashflow to cover ongoing commitments for wages and operating expenses.

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Results

With the help of AddCash Finance, *Accountant 1* was able to clear the debt their client owed the ATO and return the client to good financial standing.

In fact, this process has now set the client up to grow further in the future:

- Valuations of all unencumbered machinery was undertaken to support the sale and leaseback of machines owned by the client and the client no longer has to resort to renting other and key items of machinery, creating a monthly saving of **\$87,000**.
- *Accountant 1* provides accounting staff to the client on a regular basis to ensure the bookkeeping and administration are accurate and completed on a timely basis. This includes the training of employees to improve the internal skill set.
- Proceeds from the sales and lease back of machinery were used to pay down the original debtor finance facility however, a smaller facility of \$200,000 was retained with AddCash Finance to assist with ongoing cashflow requirements and allow the client to continue focusing on further growth.



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About AddCash Finance

AddCash Finance is a commercial finance company which specialises in Customer Invoice Financing for small businesses. Established in 2003, AddCash Finance has been assisting businesses across Australia for over a decade.