

The ABC's Of Bills And Receipts

A look at that vital record that helps you get paid

By Esco Buff, CF, PhD

A bill and a receipt are not the same thing. A bill is an acknowledgment that a specified sum of money is due for goods or services. A receipt is a written or printed acknowledgment that a specified article or sum of money has been received as an exchange for goods or services. A bill marked as paid becomes a receipt.

Printed Vs. Handwritten?

Handwritten receipts are perfectly legal and acceptable. Electronic or printed receipts are becoming more popular as farriers take to the field with portable computers and printers. Electronic receipts do look more professional.

Receipt Requirements

Receipts may include any messages from the farrier, such as warranty, return details, advertisements, billing fees, returned check policy, etc. A physical or electronic copy of the receipt must be kept on file and is also an excellent tool for helping you keep more accurate overall business records.

The Internal Revenue Service has warned that the frequency of audits on small businesses will most likely increase due to the current economic situation. Maintaining good records, documentation and receipts can assist you when or if an audit happens to you.

No matter what type of receipt you decide to use, pre-printed receipt forms, computerized receipts or handwritten receipts, the following items should be on each receipt:

- ✗ Name of your business or your name (required by federal law).
- ✗ Date the goods were sold or service provided (required by federal law)
- ✗ Description of goods sold or service provided (required by federal law)

- ✗ Itemization of goods sold or service provided (highly recommended as clients can legally refuse summary receipts).
- ✗ The amount of money the client paid (required by federal law).

If you decided to bill a client instead of receiving payment at the time goods were sold or service was provided, then you should include a statement of payment terms on the bill as well as a signature line.

An example of a statement of payment terms might be, "There is a \$50 charge for all returned (NSF) checks. If a net 30 day account has been established, a \$50 administration fee and a 1.5% service charge will be applied on all past due accounts."

Due to differences among states, I would suggest contacting your attorney for the correct language.

The Consumer Protection Act of 2005 states that bills and receipts that fail to meet federal requirements can lead to fines of up to \$5,000 or 30 days in prison. It is also the consumer's right to refuse receipts that do not itemize the purchased goods or services. The receipt must also state by what method the service or goods were paid for (cash, check or credit card).

Some states may require you to put agreements for services or goods worth \$500 or more to one individual into contract form. In other words, if you do work for one owner on X number of horses and the bill exceeds \$500, you have to present a contract for the work to be done.

If you present a bill to be paid at a later date, it is legally advisable to have a signature line on the bill stating the person agrees that they are responsible for the bill. This makes your case easier to win in court in the unfortunate event you have to sue. Due to state differences, I suggest contacting your attorney.



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An example of a billing agreement would be, "I, (customer's signature) understand and agree to be financially responsible for paying the above bill for farrier services already rendered."

Summary Vs. Itemized Bills

A summary bill summarizes by general areas or just one price for everything that is done. An itemized bill lists charges for individual items.

Most people prefer itemized billing so they can see just what they are being charged for. Itemized billing also helps you better track expenses and profits, especially when used with computerized systems.

Itemized billing can also help create a perception of lower charges than does summary billing.

In a summary bill, for example, a client sees a total of \$100 to shoe his horse, Love 'Em. In an itemized billing, the client sees \$90 to shoe Love 'Em and \$10 for the barn call. Both farriers are charging the same overall, however, the horse owner sees a \$10 difference in the shoeing price. Ω

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