

# Everything you need to know about advance payments!

Payments are an integral part of service procurement. No matter what anybody says, these situations require timely attention; otherwise, they can turn troublesome for both parties at any time. In that situation, the concept of advance payment comes in; it facilitates an easier branding of trust and commitment on both sides and often results in more zeal from both parties. Now it leads to the question of what actually is advance payment.

While making a payment before it is typically due, for example, paying for a good or service before actually receiving it, is known as advance payment. Sellers occasionally require advance payments to safeguard against non-payment or to compensate for uncovered service or product costs. Sounds interesting, no? Then let's hop onto what essentially goes into advance payment and how you can benefit from it.

## What is an advance payment?

A payment made by a customer to a truck or shipment provider before it reaches the customer is known as an advance payment.

Since the exporter receives payment in advance, this concept is most advantageous. As soon as the deal is confirmed, or at any time before shipment, the payment may be accepted. Only when the exporter is aware of the product's extreme rarity and overwhelming demand would he be willing to impose the term as a condition. Advance payments can be used to pay for initial supplier expenses or to bargain for a lower price. This makes it a win-win situation for both parties.

## How does advance payment work?

Before the products or services are actually received, advance payments are made. If there is still money owed after the payment, it must be paid right away before the customer gets delivery. However, many times, these are considered postponed payments or arrears payments. In these situations, the delivery of the goods or services is followed by payment. As an illustration, consider a worker who receives payment for their services each month at the end of it.

Just for better understanding, consider that there is a corporate company which has received an advance payment. So, on the balance sheet of the corporation, advance payments will be listed as assets. When these resources are utilised, they are paid for and recorded on the income statement for the period in which they are incurred.

## Are there any risks involved with advance payment?

From the perspective of the customer, advance payment poses some risk because he makes it before the items are delivered. When a buyer is certain of the seller's sincerity as a seller, only then will he choose to make an advance payment for exports and imports.

If suppliers receive advance payments, they can use some of the money to pay for the goods they are producing, which may help them if they don't have enough cash to acquire enough goods to fill a huge order. This might also be seen as a promise that a specific sum of money will be made after the shipment is created.

## Conclusion

That was the, in and out, of advance payment and how this small yet efficient part of the logistics industry works. However, that was not it. Do you know that just like advance payment, there is a concept of last-mile delivery too, which facilitates easier delivery and also better productivity to the consumer at the end. [Click Here](#) to know how you can benefit yourself now from last-mile delivery.

## Frequently Asked Questions

What happens while opting for the advance payment?

Unlike the regular payments which happen after the shipment is fulfilled or consignment is delivered, advance payment happens just at the beginning of the deal. Though, the full amount is not paid and only a portion or some percentage of the amount is paid, this ensures a smooth and more enthusiasm-filled job by the other party and also as the establishment of trust between both.

Is advance payment risk-free?

Well, there is always greater risk involved while dealing in money, but, good also comes as a part. Until and unless the complete assignment gets delivered, there will always be

a risk on the money already paid. But, that will also work as a security amount which would indicate better work as a trust garnered from the deal. As they say, what doesn't happen easily, happens monetarily.