

Payment and financing essay example

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Payment and Financing

The prompt payment act require that the government contractors are paid from time to time and incase they are not paid at the specified dates, they should be compensated through a certain amount of interest. In case the payments are made earlier also, the government institution is entitled to receive a discount in this case (Arnold, 2009). This paper intends to argue that without the 1982 act, many contractors were at a risk of going out of business.

Contracts involves huge amounts of expenditure which some of the contractors could not afford at once. It means that these companies could not afford to buy all the raw materials they required and pay their employees with their own money. The probability is that the employees would search for alternative jobs if they are not paid. Since employees are important resources in contracts, these businesses would collapse if the employees left.

Government projects require huge sums of money to implement. Some of the contractors cannot afford all this capital at once. The chances are that these contractors would fail to receive any contracts and this would have affected them negatively leading to their closure. Without revenue, contractors are likely to go out of business.

Many of the contractors usually implement more than one contract. In this regard, these contractors employ a large number of people and also need a lot of money to ensure that both projects are implemented. In case the contractors are not paid by the government, it would be difficult to implement other contracts which can be dangerous to their reputation

(Arnold, 2009). Failing to complete contracts due to lack of funds can lead to legal consequences that can make the business be banned from conducting their businesses.

It can be concluded that the prompt payment act is very advantageous specifically for the small business contractors working with the government. This is considering the fact that these businesses have low amounts of capital to implement projects requiring huge sums of money. The growth of these small business contractors has been facilitated by the act.

References.

Arnold, W. G. (2009). The Prompt Payment Act answer book. Vienna, VA: Management Concepts.