



# HOW TO KEEP THE CASH FLOW FLOWING

Poor cash flow management is among the main causes of small business failure according to the Association of Certified Chartered Accountants. Here, we highlight the main areas that business owners should be looking at...

## TERMS OF TRADE

Every company should begin with a good set of Terms and Conditions (T&C's). Good T&C's create certainty, minimise the chances of legal disputes and help ensure customer satisfaction.

**Tip:** If you have T&C's, have they been reviewed and do you have copies signed by your customer?

## INVOICING

The quicker invoices are paid, the lower the company's financing costs are likely to be and the less chance of cash flow problems.

**Tip:** Do you state your payment terms clearly on the invoice? Do you have a robust credit control process?

## LATE PAYERS

It may be tempting to focus just on growing the business, but understanding your customer's ability to pay and applying

credit limits will help ensure that slow payers don't end up putting a strain on the company cash flow.

**Tip:** Do you have proof of the debt that could be relied upon in the event of a dispute?

## STOCK MANAGEMENT

Profit, (not sales), ultimately determines success. Be careful to maintain efficient stock levels.

**Tip:** Do you know which are your most profitable stock lines, which aren't and which account for most of your sales?

*Terms of Trade*  
*Invoicing*  
*Late Payers*  
*Stock Management*  
*Forward Planning*  
*Finance and Funding*

## FORWARD PLANNING

Spotting problems early is key to avoiding a crisis. Lenders will be more likely to offer your funding or better terms, if any cash flow issues are anticipated.

**Tip:** Do you use management information to track how the business is performing? Are you seeing any "red flags" such as suppliers' bills

being pushed out, overdue VAT payments - this could signal a looming cash flow crisis.

## FINANCE AND FUNDING

Finding a lender won't be the end of potential cash flow problems unless you can arrange the right type of finance on the right terms.

**Tip:** All external funding comes at a price. Weigh up your options, be it an overdraft facility, bank loan, invoice financing etc. Also consider how long you need the finance for, is it to cover a short term cash flow problem?

## BUSINESS MANAGEMENT

Problems with cash flow usually indicate that there are issues with the management of the company itself. What we tend to find is that certain things have gone wrong, or perhaps were never right. Prices weren't right, for example, or a key contract was lost, or costs increased, maybe the company's sales and marketing wasn't strong enough or the company has had staff problems.

**Tip:** Stand back and take an objective look at your business. Contact us for help.

***We look forward so you can move forward...***