

CASH FLOW IMPROVEMENT



CAPITALISE
BUSINESS FINANCE

Use the following checklist to review and improve your business cash flows. Regular revision will help identify areas needing focus or alternative solutions.

This checklist will show items that are applicable to some businesses but not to others. Use it as a guide and a “thought provoker” to help you identify opportunities in your business to improve cash flows. Remember – “cash is king” – keep this in mind so that your focus remains on cash flow and not solely on profitability.

INTERNAL

- Generate a cash flow forecast in order to identify cash flow problems early. The earlier you can action a solution, the better chance you have of overcoming the issue at lower cost and less effort.
- Set funds aside for forecasted bills and payments.
- Reduce office spending as much as possible. Unnecessary or excessive spending can result in theft from your business or fraud.
- Gradually reduce stock levels to minimum manageable levels. Holding stock longer than necessary reduces the amount of free cash you have for other more pressing business expenses.
- Eliminate stock that isn’t selling or is too slow to sell. Focus your efforts and funds on high turnover stock.
- Sell surplus assets. The sooner you sell an unwanted asset the sooner you will realize the cash value of that asset and re-invest that cash back into your business.
- Utilize a spot invoice financing facility, on an “as needed” basis, to quickly raise cash against outstanding invoices.

YOUR CUSTOMERS

- Review pricing. Is there an opportunity to increase prices by adding extra value that does not cost you much?
- Provide your customers with payment options. This could include credit card payments and/or installments. The easier it is for your customers to pay you, the sooner you are likely to be paid.
- Perform credit checks on your customers. Know and understand the risks you are facing with customers who have a poor credit record. Make intelligent decisions on

who to deal with – until your profit is in your bank account, you are running with a loss.

- ❑ Avoid opportunities that are marginally profitable or high risk. Learn to say “no” if it’s a poor opportunity.
- ❑ Invoice quickly and correctly, and confirm with your customers receipt of invoices. Check for any disputes or discrepancies. Do not allow overdue invoices to age – follow up late payments quickly.
- ❑ Consider discounts for early payments. Weigh this against the cost of spot invoice financing – often invoice financing would be a much cheaper option for you to access the cash in your invoices.
- ❑ Review your payment terms – can you reduce these without too much impact on your customers? The sooner you get paid the faster you can reinvest the money into your business.
- ❑ Offer special deals to your best customers. This increases sales to the customers who value your business and pay you on time.

YOUR SUPPLIERS

- ❑ Ask for more favorable payment terms – the longer you have to pay your suppliers, the less working capital you need.
- ❑ Pay your suppliers via credit or installments.
- ❑ Search for suppliers who offer better pricing or payment terms.
- ❑ Take advantage of specials and discounts. Ask your suppliers to give you advance notice of upcoming specials.
- ❑ Return unused or low-turnover stock to receive a refund or credit. It costs money to hold stock, so your supplier should be holding it for you until you need it.
- ❑ Utilize a supply chain finance facility that provides for rebates to your business when a supplier takes an early payment and allows you to extend your payment terms back to your financier. By doing so you will reduce the amount of working capital needed to run your business.



Invoice finance, Supply Chain finance, Trade finance, Short term loans.

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