



PEMBERTOWN
accounting • finance • insurance

HOW TO IMPROVE YOUR CASH FLOW

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A SMALL BUSINESS GUIDE



UNDERSTANDING CASH FLOW

As a small business manager, you're often too busy to be keeping as close an eye on the books.

Unfortunately, this can lead to poor cash flow management: but what does it all mean?

Regardless of your profit margin, **cash coming in must exceed the cash going out at any point in time.**

You may be making a lot of sales, but that doesn't mean the money has actually hit your bank yet – which can result in you coming up short when it's time to pay your expenses.

Or maybe you've got loads of inventory and assets, sitting around and not doing much.

Whatever the issue, **poor cash flow management spells big trouble for your business!**

OKAY, BUT WHAT CAN ACTUALLY HAPPEN?

Over time, an unhealthy cash flow can come back to bite you in a few unpleasant ways:



Your business may end up spending more money than it earns.



You may not have enough cash on hand to invest in new equipment or inventory.



You may not be able to pay your creditors on time.

Clearly, this is something you want to prevent. So don't fret – read on for our quick guide to improving your business' cash flow!



SEND OUT INVOICES IMMEDIATELY

Your customers will already be taking their own time to pay up, so don't prolong this waiting period by late invoicing!



GETTING SOME (OR ALL) MONEY UP-FRONT

Don't work for free – consider collecting more or all of your money up front so you will have more cash on hand to spend. And if a customer ultimately doesn't pay up the full amount, at least you got a little cash as opposed to nothing!



MANAGE YOUR CUSTOMERS' ACCOUNTS

Follow up on aging accounts and make sure to send out notices to customers who still haven't paid up. **A great tactic to incentivise earlier payments from customers is by offering discounts on the invoiced amount.**

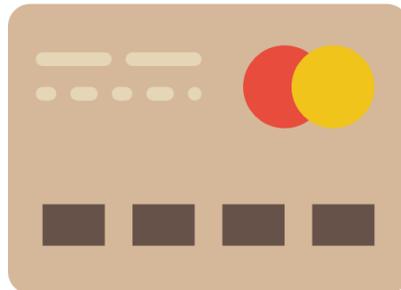
Additionally, you need to ensure you have a clear credit policy that customers are made well aware of. Communicating these policies to your customers will set expectations from the start. If you haven't read your own policy in a while, it's time to dust it off and work through these important questions:

- How long is it taking to get paid?
- What is your collections activity?
- Are you getting the right level of contact with your customers?

- How do you identify and resolve disputes?

Don't let your small business be taken advantage of – **speak with an accountant to ensure your policy is effective!**

→ ACCEPT EFTPOS AND CREDIT CARDS



Make it easy for customers to pay you – and quicker for your money to hit the bank. Credit card payments can move money **within 2-3 days** as opposed to billing customers and then waiting through that 30-60 day credit period.



MONITOR INVENTORY LEVELS

By setting up a clear inventory-management system, you'll know how much inventory you have and what is struggling to be sold at any given time.

If you have too much inventory just sitting around, your money is essentially tied up while you pay for increased storage and insurance costs!

Over time you can also analyse which inventory items move too slow or too fast; which is worth a chat to your suppliers about.

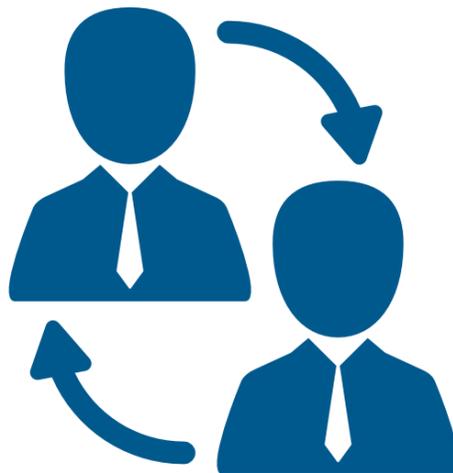




ESTABLISH STRONG RELATIONSHIPS WITH YOUR SUPPLIERS

If you have good relationships with your suppliers, it'll be a lot easier to negotiate better payment terms and discounts.

For example, when you're short on cash but in desperate need of more inventory, your suppliers may be more sympathetic to your situation and help you out!





SELLING UNUSED ASSETS

Selling or leasing assets such as unused property or outdated machinery is an easy way to free up extra cash!



GETTING EXPERT HELP

Reaching out to an accountant for advice is a great idea: **they can thoroughly review your situation and**



provide tailored solutions. Whether you need short-term finance to make up for a shortfall in cash; help creating a cash flow forecast; or someone to simply manage the books and diagnose underlying problems within your business, an accountant is the go-to person.



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WHAT NEXT?

Pembertown is here to help! Our experienced accountants will work with you to make sure your business is running as efficiently as possible, allowing you to focus more on your vision. Don't let cash flow problems keep you under!

We offer new clients a complementary business consultation.

Give us a call to get started!



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