



Managing your cash flow

Planning the cash flow of your business is integral. **The Quinn Group** summarises the top 10 tips for your business.

The operating cash flow of a business is an important measure of the operating performance of a company, and poor cash management is one of the single most important reasons for business failure. Listed below are 10 important tips for managing your cash flow.

1. Know your cash flow

It is necessary to be aware of your business' current cash flow situation. It's a different figure than your bank balance, and both are important. Cash flow represents the money you have immediate access to, which covers day-to-day expenses. It's imperative to know your cash flow balance to make sure you keep within it.

2. Devise a cash-flow budget

The budget is an important part of your business plan. You should devise projections for how much you'll be spending on any large item assets, and when you will have

the cash to do it. Diarising in any repeated lump-sum payments allows you to forecast the best timing for making purchases. Once you have put together a calendar and a budget, it's important to stay on track with it as closely as possible.

3. Make your receivables strategy as efficient and effective as possible

Look for ways to improve your strategies for getting payments from customers in on time. This could include improving the billing procedure so that invoices are issued more promptly, speeding up delivery time to generate faster invoicing and reinforcing your credit policy – reducing your payment terms and ensuring that overdue payments are correctly followed up on.

4. Control your cash outflows

It's important that you understand all of your business costs before you make any moves to cut them. Review all of the overheads to identify



any costs which can be reduced or eliminated. If you are planning on purchasing assets, make sure you are spending on assets directly related to the production of revenue. Other important tricks are to see if you can negotiate longer credit term or volume discounts with suppliers. Review your overheads to identify any costs which can be reduced or eliminated.

5. Maintain and maximise relationships with your profitable customers

By focusing on customer service and ensuring all staff are trained to be effective customer service representations, you can build on customer relationships and make them more profitable. You can also consider offering loyalty extras, or implementing other relationship techniques that strengthen the relationship. Consider doing a customer

satisfaction survey to identify any areas that require attention or modification.

6. Get your finance products working to your benefit

Consider keeping your banking in one place and negotiating a deal. If you can commit your banking to a resilient and reputable provider, you should be able to receive benefits for doing so. The more business you can bring to them (for example credit, working capital or loan requirements), the more influence you will wield in negotiating benefits.

7. Get as much advice from experts as possible

Develop and leverage relationships with experts such as your lawyer, accountant, banker or financial planner. Also commit

to reading trade press and keeping up with news from industry bodies. There is a wealth of resources available to assist you in keeping your company competitive.

8. Review your business insurance

Though many business owners see optional insurances just as extra expenses, they can prove extremely valuable in contingencies. Cover such as business asset insurance, business interruption insurance or key person protection may provide the income cushioning you may require during emergencies or as a result of mishap.

9. Make sure you are getting the right loan

If you seek a loan to fund the purchase of an asset, ensure that you have matched the type of loan to the life of the asset. You don't want to be paying off a loan for an asset after its working life has expired.

10. Review your stock on hand

Holding excessive stock keeps vital cash out of the business. Review your stock levels to ensure you hold stock for the least amount of time between purchasing and selling it. Potentially consider a special promotion or sale to accelerate cash flow if your stock levels are elevated, and review your slow-moving stock and investigate whether you can return it to the supplier for credit on your account.

Here at The Quinn Group our experienced team of business accountants are able to provide advice on cash flow management or budgeting. For more information please visit www.quinns.com.au.