

## Keeping an Eye on Your Cash flow

**Cash is the lifeblood of a business, but with so much emphasis usually put on profitability, it can be easy to overlook this fact. Of course, the bottom line is important, but poor cash flow management can drive a growing and/or profitable company out of business.**

The risk is especially great for expanding companies. For example, if billing is delayed at the same time as stock is accumulated to fulfil increased orders, you can find yourself short of the cash needed to pay suppliers and employees.

### **The benefits of projection**

Cash flow projections are critical, especially in times of need, but you don't have to wait for a crisis to benefit from good cash flow planning. A properly developed cash flow projection can help a business foresee and prepare for potential shortages. Cash flow management can also help you:

- Maintain adequate cash reserves to pay bills, expand the business and invest in facilities and product development
- Reduce interest costs through managed borrowing
- Increase interest income by transferring surplus funds into interest-bearing accounts temporarily, if appropriate
- Receive discounts through bulk purchasing
- Improve relations with the bank manager

Businesses that prepare cash flow projections often learn something about their systems, the dynamics of their business, and the process often has other positive outcomes. For example, you might discover that you need to pay more attention to certain customers, or that you can defer payments to suppliers more beneficially.

## Cash flow checklist

### 20 signs that your business could be facing cash flow problems

In times of economic uncertainty, cash is undoubtedly king. To help you focus on your cashflow and profitability we have prepared this checklist. Simply answer 'yes' or 'no' to say whether each statement is true for your business. If you have more 'no' answers than you are comfortable with, you may be facing cash flow problems. Call us to discuss an action plan.

	Yes	No
When we receive a job, we know we can complete it and be paid on our terms		
We send a bill as soon as we complete a job		
Invoicing documents are accurate, complete and clear		
Our credit procedures alert us to problem customers so that we can follow up on outstanding accounts		
We monitor and enforce our credit terms and obtain deposits from 'doubtful' payers		
We finance capital expenditure in the most cost-effective manner		
Our pricing reflects time spent on jobs and covers associated risks		
Employees understand the importance of the business's cash flow		
We complete work efficiently		
We catch mistakes before they reach customers		
Mistakes cause us to improve processes		
We keep a close eye on budgets throughout the year		
We determine the viability of outsourcing work		
Adequate controls are in place to control employee overtime		
We are effective in negotiating materials and supplies contracts		
We forecast cash flow monthly and base our financial arrangements on our projections		
Our bank is our partner and understands our business and its financial needs		
We always see that work is done by the least expensive, capable employee		
We link staff pay to productivity and company profits		
Our standard operating procedures are written down and everyone follows them		