

The dos and don'ts of cash flow management

Turnover is vanity, profit is sanity, but cash is reality. So, how do you keep your cash flow healthy?

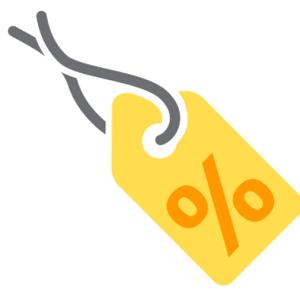


✓ DO know your cash position

Check your business bank account regularly to see how much cash is available. Also know how much you have coming in and going out in the coming weeks.

✗ DON'T let your costs spiral out of control

Cut costs where possible. Minimising costs is key to healthy cash flow. The less you spend, the easier it will be to keep cash flow positive.



✓ DO maximise your prices

You should know how much customers will pay and how much your competitors charge. Don't rule out price increases, especially when your costs rise.

✗ DON'T allow credit without checking

Check all new customers thoroughly. Ask for references. Consider requesting payment on delivery to begin with, granting credit later when earned.



✓ DO seek favourable credit terms

Getting the very best credit terms from your suppliers will mean you can keep hold of cash for longer.

✗ DON'T be too generous with credit

Having to wait for money after paying your suppliers strains cash flow. Allow 30 days credit only and consider small discounts for immediate payment.



✓ DO chase for payment when due

Send your invoices on time. As the due date approaches, gently remind your customers. Ring them to request payment the day after payment was due.

✗ DON'T avoid asking for help

Whether it's your bank, an accountant or other trusted business adviser, experienced professionals can provide cash flow advice.



✓ DO work with cash flow forecasts

Comparing exactly when and how much cash enters and leaves your business can help your business to avoid running out of cash.

✗ DON'T just ignore the problem

If your business is constantly having cash flow issues, they won't go away unless you address your costs, prices, credit control and cash management. Doing nothing isn't a solution.



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