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BUSINESS BRIEFING

Cashflow management

Introduction

Poor cash flow management can play a large role in the failure of businesses regardless of the level of profitability. It is therefore crucial to monitor this area and take steps to reduce the risk of cash flow difficulties.

How should I monitor my cash flow

A cash flow forecast should be maintained and continually updated to record all expected inflows and outflows of the business. Excel can be used or alternatively there are many software packages available which will simplify the task, some of which will link up to computerised accounts packages thus reducing the time spent on cash flow management.

What can I do to improve cash flow

There are a number of steps you can take to improve cash flow and reduce the likelihood of problems arising. Some suggestions are as follows:-

- Invoice regularly for work done, clearly stating payment terms on invoice.
- Establish good credit control procedures, ensuring that any outstanding invoices are followed up promptly.
- Consider charging customers interest for late settlement of invoices.
- Credit check customers to help identify potential problem payers.
- Take a deposit or, where applicable, stage payments for work carried out.
- Address any issues arising on your cash flow well in advance rather than waiting until purchase invoices are overdue before trying to rectify the situation.
- Build up a good relationship with your bank manager who may be able to assist with temporary cash flow problems by for example extending your overdraft limit.
- If the nature of your business is seasonal put some money aside in the good months to help you work through the quieter periods of business.

- Delay cash outflows by negotiating and utilising suppliers payment terms rather than settling immediately on receipt of an invoice.

This is not a definitive list and the examples given should be balanced with building good relationships with business contacts but they are all important points to consider when managing cash flow.

How can you help me?

Argents can provide advice and support with respect to cash flow management including providing cash flow forecast templates or advice on cash flow software together with reviewing cash flow forecasts and making suggestions to improve cash flow.

If you have any queries please speak to your usual contact at Argents.

Argents has prepared this information as a service to clients. We recommend that professional advice is sought before taking action and we cannot accept any liability for actions taken as a result of the information given.