



*presents:*

## 5 TOOLS TO IMPROVE CASH FLOW



### 1. Using the Cash Flow Statement

Looking at what your company spends as a result of sales is the best way to evaluate needs prior to use. This will keep the cash where it can be the most useful and limit unwanted surprises.

Using the year-to-date format of the cash flow statement to compare how one category effects another in a strictly “cash available balance” forecast. The Statement of Cash Flows is the easiest way to see exactly what a company can expect in the next few months, allowing the owner to be proactive instead of reactive for the months ahead.

Many small businesses make the mistake of thinking a high-volume sales month is the time to buy needed things, not realizing that their cash history dictates the next few months will leave them floundering for that cash. This is a top reason so many small businesses don't make it past two years.



### **Maintaining Fixed Asset Expenditures**

A fixed asset is an asset such as land, buildings, or equipment. These types of assets are generally costly, and maintaining them is vital to the business.

Even so, monthly expenditures should be monitored and maintained, or even negotiated if possible, to get the most out of cash flow. Unfortunately, this is one of those things that normally cannot be ignored, however planning your cash flow is the best way to make sure vital assets are taken care of. Your budget should include a fixed asset maintenance expense that is monitored.

### **Watch Recurring Fines for Late Payments**

Supplementing your cash flow by putting off paying a vendor is not the way to improve cash flows. If you can take advantage of discounted payments by a certain date, that is a better way of improving cash flow. If you are continuously scrambling to get your obligations to your suppliers met, it's time to evaluate the problem and correct it. A few suggestions for correcting the problem is client terms, inventory control, employee errors/waste.



## **2. Watch Customer Terms**

Try to get the money you're owed by your clients in the bank before the money you owe vendors/employees is due.

\*consider offering percentage discounts for prompt payment

\*ease of payment by digital payment link will usually enhance cash flow

You'll really want to know if you can count on that money before you lend it. In the finance world, your accounts receivables are a company asset, and your business's worth is reflected in the good faith of those accounts. Make sure you check company credit before you extend terms, when possible.



**Consider offering discounts**

for prompt payments and/or higher finance charges for longer terms.

**Cloud payment applications**

offer ease of use and automation of payments to get the money flowing back to you in hours instead of weeks.



### 3. Stay on Top of Your Customer Accounts

Aging customer invoices in your system are deadly in this day and age. Make sure:

- \*you have a good collections service
- \*you are addressing unresolved issues with customers that might prevent payment
- \*you are acknowledging bad debt invoices legally allowable to write off

**Follow up with overdue accounts.**

Have an automated collections system in place to handle any accounts unpaid past your credit limit terms. Many companies fail due to lack of handling their customer's debts to them. If there is a problem, it won't go away unless it is properly addressed.

**Make sure there is no unresolved issues**

with your client that is preventing payment.

**Write off bad debt allowance.**

Check with your tax preparer or CPA to determine the appropriate percentage of bad debt allowance in your area.

**Outsource collections when necessary.**

If there is a problem with aging receivables, outsourced collections would help you get at least a portion of the money while maintaining your relationship with the client.



## 4. Cash Practices for Your Clients, Vendors and Inventory

- \*Define clients by positive cash flow as priority to your business
- \*Take advantage of discounts for payment terms your vendor offers, if possible
- \*Evaluate inventory assets and prioritize restocking by how fast it is sold

**Let your employees know** the priority of customers who buy frequently and pay well. If your client buys in volume but pays slowly, they may be costing you more than they are worth. Yet, employees may think these are the most valuable accounts.

**Negotiate terms with vendors**, if applicable. Some vendors will give higher percentage of discounts for volume. Make sure you have negotiated with your representative for the best possible terms.

**FIFO, first in/first out inventory.** Consider a sale if you have ancient inventory to get that asset off the shelf and off the record. You might also consider industry benchmarks for inventory. Benchmarking your company's cash flow compared to other industry companies might give some insight as to how other's in your industry efficiently control inventory. These statistics might be available through industry trade organizations or publications.



## 5. Get Everyone Involved in Cash Flow

\*Management/Employee incentives to reward them for outstanding service to your best clients might make a big difference to your company's cash flow "healing"

Recognizing employee contributions that increase cash flow is a necessary part of management skills. There are many departments that can work together to make a crucial difference and increase cash flow. Most employees aren't aware of cash flow forecasts and reports or how it effects their department. Training of and understanding by all employees is a key source of positive growth.

### **Employee of the Month Awards**

Positive recognition for employee contributions

### **Rebate sales commissions**

Back out or refund payments of sales commissions for non-payment or bad debt allowance might make employee's understanding of accountability when offering terms to customers.

Note: Subscribe to our blog for helpful tips to keep your books on track by Robin Earby; or for help with your social media presence, written by Melissa Back at [www.risingphoenixbkp.com/blog](http://www.risingphoenixbkp.com/blog).

For more information about financial reports and how to use them to forecast your needs, also see the free download [\*\*Top Secret Small Business Toolbox\*\*](#) which has helpful information to use RIGHT NOW for instant relief. This report is located at [www.risingphoenixbkp.com](http://www.risingphoenixbkp.com).