



A Cash Flow Health Check In The New Financial Year

Throughout the financial year, there may be periods where your business finds itself facing a recurring problem with its cashflow.

Small businesses with cash flow issues may find themselves more at risk of failing or suffering significant financial hardship - during these critical times in the business landscape, this is not an ideal situation.

Cash flow provides a business with stability so they can pay employees, avoid loan defaults and pay the overheads necessary to keep their business up and running. Follow these tips to boost your cash flow to secure your business' future.

Perform A Business Health Check

Preparing financial statements will give you an objective insight into the health of your business. Identifying if you have a cash flow problem is the first step to coming up with solutions.

The following reports will allow you to see if your cash flow is up to scratch.

- A balance sheet will tell you what your business is worth on any day. The value of your business is calculated by subtracting your liabilities from your assets.
- Profit loss statements reveal if your income is meeting your expense requirements. If your profit is dipping below your expenses, it is time to change.
- Cash flow reports reveal the money going in and out of your business over a set period and identify peak and off-peak periods

Use A Business Budget

After analysing your cash flow situation, is your cash flow cyclical?

Creating a yearly budget is not only imperative to receive financing in future, but will also help you identify the best months to save to cover the quieter months.

Where applicable, business owners can consider flexible rostering, whereby employing casuals and using a flexible roster can help you cut back on hours when you need to improve your cash flow in quiet periods.

When you have identified your quieter periods of the year, try to find additional revenue streams for when cash is low. Is there a product or service that could be introduced? Work with your team for new ideas to cover low cash months.

Get On Top Of Your Accounts Receivable

Allowing late repayments jeopardises your cash flow and can put you in a tight financial spot.

Avoid being out of pocket by implementing some of these credit policies:

- **Collect the debts on time - allowing late payments means that you're without those funds for longer**
- **Offer an early bird discount to incentivise early repayments - it pays to repay that kindness**
- **Set credit limits and payment terms - know exactly what your terms and conditions are so that you can make sure that those who owe you are abiding by them**
- **Make credit applications and carry out credit checks on all new customers**
- **Penalise late payments with interest - set a specific interest rate that will apply and which you deem as fair.**
- **Consider cutting down on inventory - unsold stock can be a waste of funds, and if you're finding yourself with plenty of it, you may not need to order as much.**
- **Request upfront payment or a non-refundable deposit where viable, especially when dealing with large orders.**

If you're looking for assistance with invoicing, chasing payments or a general checkup of your business's cash flow situation, accountants like us are equipped to help. Speak with us to find out what we can do for you.

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