

## 12 ways of maintaining cash flow

Did you know 70% of businesses that go bankrupt are actually profitable when they close for business? They've just run out of cash - here's how to avoid that situation:

1. Based on your historical trading or knowledge of seasonal impacts plan for pressure points in advance and make provision accordingly.
2. Find out your acid test ratio – this is knowing how much working capital your business needs to operate.
3. Invoice as you go along, not at the end of the month.
4. Cooking on gas? Be careful of overtrading – this is an imbalance between the orders a business accepts and its capacity to deliver.
5. Reduce your credit period but make sure you think through the consequences of doing this where contracts have been won because of specifically agreed credit periods.
6. Make sure your existing supplier contracts are competitive and that you're not paying over the odds.
7. You might consider offering a discount for prompt payment.
8. You might consider charging interest on late payments.
9. Get to know your customer's regular payments dates to you and set your payments out to suppliers at a following date.



10. Check your invoices before they go out so that any likely disputes that may slow down payment are negated.
11. Set clear terms and conditions – if your clients have not signed up to these you might find it very difficult to chase payment.
12. Think about stage payments.

*This is handout no 3 in our Verve Insight Series. Are you're struggling to find insight, energy or indeed... verve on this subject in your current accountant?*

*Why not pop into our Southampton Offices for a Costings and Cash Flow Session?*

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