

7 tips to avoid a cash flow crisis

Simple ways to keep your cash flow running smoothly and your business journey on track

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Cash flow is make-or-break for your business journey.

You may generate a large profit margin and experience strong growth, but if your cash flow is a struggle, it can result in missing payments or even business failure. Here's 7 great ways to keep your cash flow in check and help you stay on the path to business success.



1. Keep a cash flow forecast

Keep a simple spreadsheet listing income and costs on a monthly basis. Take note of any seasonal variations – for example, heating bills will probably go up during winter. Factor in fixed and variable costs to your cash flow forecast and be realistic – include every item.



2. Keep on top of payments

Be prompt with creditors and debtors, and set out clear payment terms – 30 days is standard. And stay alert; a poor paying customer might be about to go bust.



3. Stay on top of stock management

Efficient stock management is just as important as managing cash flow. Reconcile your stock records as regularly as you reconcile your bank accounts and find a way to minimise the money tied up in stock.



4. Stay friendly with lenders

Stay on good terms with banks and lenders and keep them informed of any changes in forecast. By developing a good relationship, based on trust, they'll be more likely to treat you favourably in the future.



5. Access credit

If your business is growing rapidly, you may need to seek access to a line of credit, such as an overdraft or short-term loan. Banks are often more willing to lend if they can see a draft service contract or letter of intent.



6. Tighten up on your outgoings

Assess the frequency with which you pay suppliers, tax bills, utilities and so on – strike deals that are favourable to you and your business.



7. Stay one step ahead of potential problems

Identify potential cash flow problems in advance by regularly updating your cash flow forecast, monitoring market conditions and keeping an eye on customers and suppliers who may be in trouble. Also, if worried, talk to an accountant, investor or business mentor.

Nearly two-thirds of UK businesses experience late payments of 90 days or more.¹

1. <http://www.bbc.co.uk/news/business-26673698>

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