



Top Tips for Managing Cash Flow

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What is the best way to manage cash flow?



There are a handful of steps we believe will help you get started with managing your cash flow.

1. Understanding your cash flow

Briefly, this will give you an idea of how much cash is available for your business operations (think wages and rent). It will also determine exactly where your money is coming from and when. You'll also see where and how your business is growing. And in turn if that is a direct result of your income or taking on debt.

2. Forecast your cash flow

Once you've got a handle on your cash flow, it's time to forecast your cash flow. That is a plan of how much money you expect to see coming into and going out of your business over a period of time. Having this information will help you to make important and informed decisions about your business. For example, you may be looking to rent new premises to expand. Or you may be considering outsourcing some of your admin tasks.

3. Keeping an eye on the numbers

As a business owner, we know that taking care of the numbers is likely to be taking you away from your real passion. However, it is crucial to understand the financial health of your business irrespective of the size and scale of the business. An advisor that can help you to understand the financial health is key to your journey. This will also free you up to concentrate on the growth of your business.

4. Upgrade from spreadsheet to software

When your business first started, you may have recorded all your transactions in an excel or similar spreadsheet. As you grow, this will become more difficult to maintain and keep on top of. While this works to a point, there are many benefits to upgrading to a cloud-based accounting system. The technology is available to take a lot of the hard work out of accounting.

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Using accounting software instead of manually entering every transaction into a spreadsheet and having multiple copies of the spreadsheet circulating will save you time. You can also access the most up to date information from anywhere with an internet connection.

5. Have robust and precise invoice terms and timelines

You should always establish your payment terms to clients in writing. Being clear about when the payment is due, could be in 15, 30 or 60 days, depending on your business. If you work on large projects that require purchasing materials and resources, you should consider asking for a deposit upfront to help cover manufacturing costs.

6. Build an emergency cash reserve

Much like you should for your personal expenses. Building a cash reserve will allow you some flexibility when needed. This should be enough to cover business expenses for 3-6 months and could see you through economic downturns.

7. Maximising your working capital cycle

Effective cash flow management is all about working capital efficiency – converting stock into sales, collecting in your debtors, managing supplier payments. The purpose of all of which is to maximise how much cash is in the business at any point in time.

Effective cash flow management may well dictate your companies' abilities to survive and thrive under any circumstances. Of course, not all the above steps will suit every business. However, taking note of the points that apply to your business model and implementing them could help you take the necessary steps to get on top of your cash flow.

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