



Ten SENIC steps to... Managing Cash Flow

Cash management seeks to achieve a balance between too little and too much cash. Key to any evolving business is its ability to manage interest earned through bank balances versus the cost of not investing that cash, as well as the downside of overpaying interest on debt. **Typically in Ireland 20% to 25% of an evolving companies available cash is invested in Debtors, and takes 60 days to collect.**

Operate a cash budget – this sets out the daily/weekly/monthly projected incomings and outgoings. In this way businesses can identify times of excess (for investments) or shortages (for loans) in advance. This is a living spreadsheet with actual figures for the period just gone.

Product life cycles must be considered in determining cash needs. Products in early stage development will generally be consuming cash. Mid cycle will be the most profitable phase while companies should be wary of relying on older products for cash inflow.

Surplus funds not immediately required should be invested. Important factors in determining the type of investment should be a) size of amount available, b) period for which cash is available and c) likelihood that cash may be required at short notices to make unexpected payments.

Negotiate credit terms with suppliers. Use your purchasing power to extend out payment days and give you more time to pay. Source alternative suppliers and let them know you have choice by seeking quotes.

Carefully manage the credit terms you give your customers. Maintain tight control over credit and be proactive in dealing with late paying customers. Ensure you get as much cash in to your business as quickly as possible.

If you need to negotiate short term loans with your bank to cover cash deficits, have a good cash budget and plan to demonstrate that you are in control of your business.

If you're in charge of the chequebook, know every payment made intimately.

Implement a purchasing policy which includes purchase requests and purchase approvals so that payment commitments can be monitored.

Make use of internet banking to get up to date balances and integrate with your software system for better knowledge

Seek trade references from potential customers. These are the most valuable references because they come from others who have offered trade credit. Bank references can be of limited value as they tend to be standard, non-committal forms. Credit bureaux can provide financial details along with a credit rating – again these tend to be general pictures and remember that even though a customer may eventually pay debts, he may be slow to do so.

Genesys Business Solutions helps evolving companies to stabilise and grow.

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