



How to manage your Cash Flow – 20 Top Tips

Who is this for?

This is for you if you want to consider ways to manage your business cash flow better.

Note: The information contained herein is for guidance only and may change over time. You should always seek professional advice and support to ensure that it is most appropriate to you and your own individual circumstances.

Why manage your cash flow?

Cash flow in your business is critical and, even though you are making a profit, you need to consider when and how the cash flow operates in your business. Remember that cash, not profit, pays your bills.

Managing your cash flow to ensure that you can meet all your current and potential future commitments is critical to the survival and future growth of the business.

Cash flow Top Tips	
1.	Sales – aim to get as much cash as you can early in your sales process (ideally all up front or at least aim for a deposit with instalments, rather than all the payment at the end).
2.	Sales – if you invoice for your products/services ensure that you have clear payment terms agreed with your customers in advance and send them monthly statements or reminders.
3.	Sales – invoice promptly and find out if your customer has a “payment procedure” when invoices are scheduled for payment e.g. every Friday or the last working day of the month.
4.	Sales – offer discounts if you want to secure sales and improve your cash flow but only do it if you have to, especially if you offer a “premium” product or service.



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5.	Sales – consider packaging or bundling your products/services, to help you get additional cross sales from the same transaction.
6.	Stock – if you manage stock make sure that you have a good stock management system (ideally integrated with your bookkeeping) and don't let too much cash be tied up here.
7.	Products/services – check competitors to see how your prices compare but you don't always have to be the cheapest as customers buy on quality and other criteria.
8.	Suppliers – aim to pay your suppliers on time so you can maintain good credit with them, otherwise they could begin asking for payment up front.
9.	Suppliers – review your suppliers periodically to ensure that you are getting value for money from them.
10.	Taxes – set a portion (10%-20%) of the money aside on receipt of each sale in a separate account so that it is there when you have to pay your tax bill or penalties may be applied.
11.	Taxes – income tax for sole traders is usually paid at the end of January and July (advance payment for current year), so ensure you know how much this is and have it available.
12.	Taxes – corporation tax for limited companies is due 9 months after the financial year end and you should ensure this is available by setting it aside from sales receipts.
13.	Funding – always plan ahead when it comes to applying for funding by anticipating when you may need larger items of equipment or stock as it will help you to secure better deals.
14.	Funding – make sure your funding structure is clear and available when you need it.



Cash flow Top Tips

15. **Budgets** – aim to prepare a budget at least annually (even if it is based on last year's figures) so you can anticipate your income and costs and prepare for shortfalls.
16. **Seasonality** – use your budgets to identify your seasonal peaks and troughs and consider ways to generate sales in quieter times from other products/services.
17. **Costs** – track your costs at least monthly, ideally against a budget and watch for trends that show increases over time that need to be investigated and actioned.
18. **Contingency/Reserve** – aim to set up a contingency or reserve fund that you can rely on when unforeseen expenditure and/or a slowdown in sales income occur.
19. **Bank account** - reconcile your bank account at least every week, something that is much easier to do with a cloud-based bookkeeping system that is linked directly to your bank.
20. **Performance Review** – review your business performance regularly (at least monthly) including your revenue, costs, profit and cash flow (again a cloud-based system is best).