

WAYS TO IMPROVE YOUR CASHFLOW



A history of shaping financial success



Managing your cash flow is the most important factor in achieving financial success. A business that manages its cash flow well, is a business that thrives long term and allows the owners the security and freedom of operating without cash flow pressures. We have compiled a list of handy cash flow hints around how your cash flow can be improved.

1. Have a cash plan for your business. It is hard to improve if you don't know where you're at.
2. Collect your receivables.
3. Make it easier for your customers to pay you and pay you straight away. Offer credit card payments and direct deposits, and make sure customer payment methods are easily found on all areas of your business.
4. Eliminate delays in invoicing - get them in the mail as soon as possible.
5. Request progress payments on large orders.
6. Raise prices after evaluating volume considerations (pricing can be variable so let customers decide what they are willing to pay).
7. Make full use of terms with suppliers or slow payments. Negotiate special payment terms with key vendors (vendors tend not to complain if they are receiving regular payments that they can count on).
8. Seek additional finance from banks (such overdraft extensions).
9. Skew promotions towards products/services that can be turned into cash quickly.
10. Use extended payment plans for business insurance premiums.
11. Have retainers and payment terms with sub-contractors that correspond with the terms you have with your customer.
12. Pay for large service contracts over the life of the contract.
13. Use "sales" to convert stock into cash (but be careful of negative affect on profit).
14. Don't let personal drawings from the business get out of hand. Limit drawings for a period if necessary.
15. Adopt a "just in time" inventory system for key items, (if you can trust your supplier to meet your schedules).

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16. Defer fixed asset additions.
17. Consider leasing back owned equipment for an immediate cash flow boost.
18. Ruthlessly review expenses. Compare to last year and benchmarks.
 - Advertising - is this being effective (must measure)?
 - Credit card fees – there is a lot of competition at present.
 - Interest costs - there is a lot of competition at present.
 - Vehicle costs – downsize.
 - Electricity – for larger businesses there are alternative suppliers.
20. Reduce wages. Many people are looking for work at present so you will be able to find good people when it gets busy again. Stop above award pay increases. Cut out overtime. Put people on holidays (to use up unused leave at least). Negotiate reductions in work hours. Make employees redundant.
21. Consider loan refinance options to defer or reduce principal repayments or consider interest only for a period of time.
22. Evaluate cash impact of owning company cars versus reimbursing employees for business use of their cars.
23. Liquidate obsolete or unusable inventory.
24. Sell non-productive or not often used assets (you can always hire), park vehicles and cancel registration/ insurance.
25. Rent excess premise space on a short term basis.
26. Determine if your scrap is saleable.
27. Determine if you qualify to receive inventory on consignment. Pay only when you use it.

If you would like to achieve financial success with a solid cash flow, then contact Kennas today and get started.

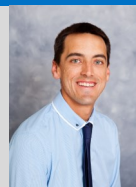


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