Cashflow Checklist

Cashflow is a key indicator of a business' financial health. Knowing how to maintain a healthy cashflow is essential to being a successful business. It can help to decrease the required capital and it can increase profitability by reducing interest expenses. It can also help to generate income on surplus funds.

Properly managing cashflow is a matter of both good overall planning and effective use of cashflow strategies.

Owners of well managed SMEs should consider the relevance of each of these best practices in the context of their own business. Not all best practices will be suitable for all businesses. You can clarify why, or why not, a particular best practice might be useful in the Comment column.

CASH FLOW CHECKLIST	WE DO THIS? Y/N	COMMENT
SUPPLIERS		
Increase the credit taken from suppliers		
Negotiate extended credit from suppliers		
Make prompt payments only when worthwhile discounts apply		
Maintain good business relations with all suppliers		
Talk to suppliers about mutually beneficial arrangements e.g. joint promotions and marketing to save expenditure		
SALES		
Sell for cash or credit card rather than on terms		
Increase prices, especially to slow payers		
Seek deposits or multiple stage payments		
Review the payment performances of customers using input from sales force and consider not dealing with bad payers		
Use factoring, or discount facilities, to accelerate receipts from sales		

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COSTS		
Reduce direct and indirect costs and overhead expenses		
Periodically review what is being paid for service contracts such as office cleaning, phone plan charges, bank services etc.		
Don't let policies automatically renew – review them first		
ACCOUNT HANDLING		
Invoice as soon as work has been done or order filled – don't wait until end of the month		
Age accounts receivable monthly		
Be aggressive in collecting debts		
Add late charges and fees when possible		
Tighten customer credit requirements		
Reduce the amount of credit given to customers		
Reduce the repayment time allowed		
Pay bills only on their due date unless there is a discount for early payment		
Spread out payments		
Use credit cards for business purchases (as long as they are paid on time this can be an effective form of credit)		
CASH HANDLING		
Deposit payments promptly		
Invest excess balances into interest bearing accounts		

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INVENTORY		
Benchmark average inventory turnover rate against other businesses in the industry		
Reduce inventory to the most necessary items		
Dispose of slow moving items (sell at cost or bundle and discount etc.)		
Use supply contracts to get the best price on inventory		
Improve control over work-in-progress		
Assess your ideal inventory level based on historical sales patterns and on projected future sales and safety stock requirements		
Calculate the most economical order quantities for different products/components		
ASSETS		
Assess lease versus purchase options		
Defer capital expenditure that won't achieve acceptable cash paybacks in a given period		
Convert debt into equity		
FINANCING		
Consider prudent borrowing		
Raise additional equity funding		
Defer dividend payments		
TRADING PATTERN		
Encourage 'out of season' buying		
Vary prices by season		
Encourage non-urgent customers to wait for delivery until a slower time of year		
MANAGEMENT REPORTING		
Develop medium and short term cash flow forecasts and update them regularly		

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