

Cash flow synopsis

In a business, cash is king. Business owners need to understand the impacts of a cash flow gap: this is the period between cash going out and cash going in.

How to avoid a cash flow hiccup

Do a cash flow projection.

Keep abreast of what is happening with operating expenses, overheads, stock levels and debt collections, as well as your profits. By doing this, you can ensure that each month there will be enough cash in your business to meet all your outgoings.

Simple Steps you can take to help improve your business cash flow

■ **Step One: Predict your sales and expenses**

This can initially seem like a difficult task but if you keep an eye on these figures each month, you can make ongoing adjustments to help make things easier.

■ **Step Two: Make sure your payment options work for you**

Understand how your customers pay you: is it in advance, at sale time or do you have a credit option? The longer your customers take to pay you, the greater the impact on your cash flow. As a rule, try to get at least 50 per cent up front.

■ **Step Three: Plan for lean times**

You should know when lean cash flow patches are coming and be able to plan for it. This includes an understanding of all payments into and out of the business.

■ **Step Four: Get your systems in order**

Make sure you have adequate systems in place to make it easier for your customers to pay you on time. To learn more about how to set up systems for your business, view the online video [here](#).

■ **Step Five: Set your credit terms carefully**

It is important to set clear limits. Carefully research the standard credit period for your industry and make an honest assessment about the consequences of shortening your credit terms.