20 WAYS TO MORE CASH



FACT: If your debtors balance relates to 6 weeks sales and amounts to £60,000; and if you are able to reduce the average credit period by 1 week to 5 weeks, then you would increase the amount of cash in your bank by £10,000.

This booklet is your first step to improving the cash flow of your business giving you more cash in the bank.

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Accountants, Tax & Business Advisers

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Improve your Cash Flow

A business can be profitable but still fail due to poor cash flow. Therefore it is critical that businesses constantly seek to improve their cash flow to stay solvent.

One of the ways to improve your cash flow is to get paid quicker. For example, if your debtors balance relates to 6 weeks sales and amounts to £60,000; and if you are able to reduce the average credit period by 1 week to 5 weeks, then you would increase the amount of cash in your bank by £10,000. Reduce the average credit period by another week and the cash in your bank increases by £20,000 and so on. You can apply the reverse logic to your suppliers/ creditors. This can make a huge difference to you and your business. Obviously, the ideal scenario is to get paid in full at the point of sale but if this is not possible then keep the credit period that you offer as short as possible.

Another way to improve your cash flow is by keeping all your accounting and tax records in an organised, easy-to-access system. It is more difficult to place a numerical value on this but it definitely puts more cash in your bank because:

- It improves the ability of your business to borrow money from the banks.
- It allows you to systemise your debtor collection making it easy to identify who to chase, and when.
- It is easier to claim tax deduction on all costs and expenses.
- HMRC can allocate the correct tax amounts and you can check these. This means that you don't make tax overpayments.
- HMRC take up less of your time leaving you free to focus on growing the business.
- You have time to plan for tax and other liability payments giving you peace of mind to focus on growing the business.
- It allows you to understand the strengths and weaknesses of your business so you can take appropriate action at the right time.
- Your accountant has all the facts and figures to hand so can offer better advice.
- Your accountant spends less time trying to sort through everything so charges less.
- It makes it easier to sell the business.
- It makes your business worth more.

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Improve your Cash Flow

There are many other strategies that you can use to improve your cash flow and this booklet has been written to highlight some of these. By completing the tick boxes, the booklet will help you identify which ones you are already making the most of and which ones may be worth considering further. It can really help if you get someone who is not embroiled in the day-to-day running of your business to help with this as they can look at things objectively, help you to create an action plan, and then make sure you stay focused until the desired results are achieved.

It is also beneficial to involve someone who has great contacts within the business finance sector. At WAGNER MASON ACCOUNTANTS, we regularly liaise with the banks, other finance companies, HMRC and other business bodies. This means that we can put you in touch with great contacts that can help you and your business.

As a next step, we recommend that you have a discussion with your accountant about the strategies you would like to discuss in more detail. Alternatively, if you would like a fresh perspective on your options, we would be delighted to help.

It is easy, and FREE, to contact us via any of the following options:

Calling the free phone number:

0800 011 2680

Send an e-mail to:

info@wmal.co.uk

Or visit our website:

www.wmal.co.uk

We will be happy to have an initial FREE discussion with you about your completed checklist. Also, you are welcome to pass on our contact details to others who may be interested, or let us know their contact details and we will send them a copy of the booklet.

We hope that you find the booklet useful and thought provoking. It would be great to have the opportunity to speak with you in the near future so do get in touch.

Emma Wagner and Nick Mason

Wagner Mason Accountants Ltd

Accountants, Tax & Business Advisers

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Introduction

There are 7 key sources of cash and 20 key strategies within these that will help improve your cash flow.

The 7 key sources of cash are:

- **Customers** (strategies 1-2)
- **Suppliers** (strategies 3-5)
- **Government** (strategies 6-8)
- **Lenders** (strategies 9-12)
- **Investors** (strategies 13-14)
- **Assets and investments** (strategies 15-18)
- **Family** (strategies 19-20)

A word of caution; using your family as a source of money should be considered as a last resort. It is not sustainable and is rarely the solution. Make sure you exhaust every other possibility first.

As already mentioned, WAGNER MASON ACCOUNTANTS regularly liaise with the banks, other finance companies, HMRC and other business bodies. This means that we can put you in touch with great contacts that can help you and your business.

Complete the checklist on the following pages to identify the key strategies that you would like to discuss further. A notes and comments box has been included at the bottom of each page for you to write any additional information that you want to remember or consider further.

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Customers

Would you like to discuss this further?

1. Earn more

YES	NO	N/A

Tip: Make sure that you truly understand the needs of your customers and then be excellent at meeting those needs. Have a process to obtain referrals and be persistent in following up your sales leads. Explore options to encourage your existing customers to spend more, and to spend more often. Look at your pricing strategy to make sure that you are pricing for maximum profit.

2. Get paid quicker

YES	NO	N/A

Tip: Provide multiple payment methods, e.g. direct debit, standing order, card and online. Make sure your bank details are included on invoices and that invoices go out immediately after the goods or services are delivered. Clearly and precisely describe the terms of sale on all quotations, price lists, invoices and statements. Set credit limits and stick to them. Ask customers to make deposit payments at the time orders are taken. Be transparent with your pricing and avoid hidden costs which can sour your customer relationships. Check the credit rating of new customers, especially for large purchases. Track accounts receivable to identify, and avoid, slow-paying customers. Have a process for sending out regular debtor reminders and for dealing with very overdue payments. Be polite but insistent in your debt collection routine. Ideally, do not have the same person doing sales and debt collection.

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3. Use less

YES | NO | N/A

Tip: Consider using "just-in-time" ordering to hold less stock. Promote a "green" culture within your business to reduce your utility bills and recycle more. Consider going paperless. Look at your existing processes to make sure they are efficient and necessary. Don't get caught by the "but that's the way it has always been done" trap.

4. Pay less for it

YES | NO | N/A

Tip: List all your suppliers in order of expenditure. Target your top 5 initially and try to renegotiate better terms with them. Keep up-to-date with the latest deals and switch if necessary. Request a discount for early payment or for ordering large volumes.

5. Pay slower

YES | NO | N/A

Tip: Renegotiate longer payment terms with existing suppliers. Use online future dated payments and send a copy as proof of payment to the supplier so they know the date they will get paid. Request to pay in stages for high value orders. Build good relationships with your suppliers so that in times of need you can ask them if you can skip a payment or make a partial payment.

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6. Pay less tax

YES | NO | N/A

Tip: Timing is important when it comes to paying tax, therefore use tax planning to ensure that you perform certain business activities at the right time and that you use all your tax allowances effectively. Setting up the correct type of business structure can make a big difference to the amount of tax you pay. Check that your current option really is the most tax efficient for you. Keep informed of the latest changes that apply to you and your business. When it comes to HMRC, the importance of great record keeping cannot be overstated. The better your records the less time you will spend providing information and answering questions. In the absence of all the required information incorrect assumptions may have to be made and these can take a great deal of time and effort to rectify if you do not have all the facts to hand. Therefore, make sure you keep all your business and personal records for future reference.

7. Get back tax already paid

YES | NO | N/A

Tip: There are many reasons why you might be able to claim back previously paid tax. Areas to consider include pension contributions, PAYE, VAT, mileage allowance, using your home as an office, and business losses. It is also possible to amend previously submitted tax returns if you need to make adjustments for research and development work, capital allowances and loss carry back. Currently, you can adjust corporation tax returns submitted up to 2 years ago, and sole trader tax returns submitted up to 4 years ago. It is therefore worth checking your previous tax returns to find out if you have paid tax that you can claim back.

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8. Grants and subsidies

YES	NO	N/A

Tip: There are a vast range of grants and subsidised loans that are available. Know which ones apply to your business so that you can maximise their benefit. Examples include: finance to support business expansion, funding for research and development, finance for training initiatives, help to acquire new premises or refurbish existing ones. In certain areas it is also possible to get funding from local government towards apprenticeship wages.

Remember, WAGNER MASON ACCOUNTANTS regularly liaise with HMRC and other government bodies and can help put you in touch with the appropriate people.

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9. Banks

YES	NO	N/A

Tip: Your credit rating is critical for bank lending, therefore understand what drives your personal credit rating and your business credit rating. Make sure both are good by paying everything on time. Check that direct debits are set up correctly so that you never accidentally default on a payment. Keep excellent accounting records and keep your business plan updated. Understand which banks focus on your business sector as these are the ones most likely to want your business. Build a relationship with your bank so that when issues arise you can work through them together. Remember, banks want to lend money, but they will only do so if certain risk factors are mitigated. Talk to them about what is possible as good communication is more likely to produce a mutually agreeable solution.

10. Asset finance - alternative sources of finance

YES	NO	N/A

Tip: With asset finance packages you can breakdown the payment of an asset into monthly amounts. This makes the investment much more affordable and has less of an impact on your cash flow because you avoid the one-off-cost of having to purchase the asset as a whole. Asset finance also provides certain tax benefits because finance charges for assets are tax deductible. There are two main types of asset finance: hire purchase and finance lease. Hire purchase allows you to take ownership of the asset at the end of the agreement. With finance lease, the leasing company owns the asset and charges you a rental payment.

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11. Factors

YES	NO	N/A

Tip: Factoring involves selling your invoices/accounts to a specialised company, called a factor, and is worth considering if you need the cash quickly. Rather than taking the usual 30-60 days, it can be with you within 24-48 hours. After checking the credit worthiness of your customers, the factor usually advances you 70%-90% of the invoiced amount. When the bill is paid, the factor remits the balance, minus a transaction fee. This type of service can be several percent more expensive than a conventional loan and is not likely to be economical for businesses that send out thousands of small-denomination invoices. It is worth noting that using factors in the debtor collection process can lead to customers paying their bills more promptly.

12. Other lenders

YES	NO	N/A

Tip: Depending on your specific needs there are many other types of lenders that can be considered. Examples of the type of loan they provide include: small business start up, franchising start up, equipment financing, equipment cash out refinancing, and peer-to-peer.

Remember, WAGNER MASON ACCOUNTANTS regularly liaise with the banks and other finance companies and can help put you in touch with the appropriate people.

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13. Existing investors

YES	NO	N/A

Tip: Approaching existing investors is worth considering if you are doing well and looking to expand or need help with short term financing. However, it is not something to be rushed into if you are facing difficulties as their terms might be much less favourable.

14. New investors

YES	NO	N/A

Tip: When looking for a new investor, consider obtaining a like-minded business partner or business angel to invest in your company. As well as providing funding, they come with lots of contacts and experience and can act as a valuable business mentor. There are several investment schemes that are designed to help smaller, new start trading companies that can be considered. Examples include: enterprise investment scheme (EIS), seed enterprise investment scheme (SEIS), and venture capital schemes.

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15. Increasing value of assets

YES	NO	N/A

Tip: Invest in new software or equipment that will allow you to be more competitive or innovative. Systemise your business so that it has a higher resale value. Complement existing assets so that the existing assets are worth more. Make sure you have procedures in place to ensure that assets such as equipment, machinery and car/van fleets are maintained and looked after. Consider the use of trackers for assets. Raise sales invoices in the correct period and don't forget to include WIP and pre-payments on your balance sheet.

16. Increasing return on assets

YES	NO	N/A

Tip: Invest time in making your business operations more productive by looking carefully at your existing processes and removing waste and inefficiencies. Make sure that equipment operates at capacity (to reduce the cost per unit) and that it is maintained properly so that you have less down time. Consider renting out spare office space. Obtain the best rate of interest for any cash reserves. Train and incentivise employees so they can be more productive.

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17. Exploiting under-utilised assets

YES	NO	N/A

Tip: You need to recognise which assets are under-utilised and develop a plan to rectify this. The most common under-utilised assets are stock, positive client feedback, websites, contacts and networks (especially financiers and business advisers), intellectual property, industry knowledge, potentially unique processes and good will. In utilising these assets, make sure that you don't jeopardise long term objectives for short term gains.

18. Disposing of assets

YES	NO	N/A

Tip: Consider carefully which assets to dispose of, and when to dispose of them. If you have an asset sitting doing nothing then sell it. Remember that some assets are taxed at a higher value than their sale value. Look at outsourcing service functions such as IT and HR, and consolidating other functions by restructuring. Also consider consolidating your business premises and selling the under-utilised buildings. Check to see if you can claim entrepreneurs' relief, business asset rollover relief, incorporation relief or gifts hold-over relief.

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19. You

YES	NO	N/A

Tip: If all other possibilities have been exhausted, consider using personal cash or borrowings, or the equity in your house. It may also be possible to release cash from your pension, if you have one.

20. Other family members

YES	NO	N/A

Tip: Again, if all other possibilities have been exhausted, consider borrowing from family members or asking them to buy a share in your business.

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Wagner Mason Accountants Ltd

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We can help whatever stage your business is currently at.

Starting a Business

Start-up Advice	Business Plans
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Accounting Systems	Budgeting
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| Taking on employees - Payroll Services and Employment Taxes |
| Opening new premises - Financial Projections and Grants |
| Taking over a similar business - Financial Planning and Raising Finance |
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Wagner Mason Accountants Ltd

Accountants, Tax & Business Advisers

171 Crescent Road, Oxford OX4 2NX

t: 0800 011 2680 | **e:** info@wmal.co.uk

www.wmal.co.uk

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