

## CASH FLOW TIPS FOR YOUR BUSINESS

In the October 2008 edition of the Clifford Gouldson Commercial Litigation bulletin we provided some tips on the fundamentals of keeping your debt collection in good shape.

Since then the economic situation has worsened both overseas and at home so now more than ever it is critical to take steps to ensure your debt collection and cashflow are under control. Provided below are some practical issues to consider in protecting the cashflow of your business.

### ACCELERATE YOUR CASH INFLOW FROM CUSTOMERS

<b>Credit policy</b>	<ul style="list-style-type: none"> <li>▪ Review your customers' credit history before the sale is made</li> <li>▪ Consider whether you can reduce your trading terms</li> <li>▪ Ensure your follow up of past due customer payments is swift and effective</li> </ul>
<b>Billing procedure</b>	<ul style="list-style-type: none"> <li>▪ Ensure your invoices are adequate and expedite payment, and are not the cause of a delay in payment</li> <li>▪ Issue invoices promptly</li> </ul>
<b>Deposits</b>	<ul style="list-style-type: none"> <li>▪ Consider customer deposits prior to sale</li> </ul>
<b>Shipping and handling</b>	<ul style="list-style-type: none"> <li>▪ Reduce the time from customer order to delivery</li> </ul>
<b>Borrowings</b>	<ul style="list-style-type: none"> <li>▪ Consider 'factoring' your customer invoices to speed up the collection process</li> </ul>

### DELAYING YOUR CASH OUTFLOWS

<b>Your suppliers' credit policy</b>	<ul style="list-style-type: none"> <li>▪ Talk with your supplier to obtain the maximum credit terms when setting up a trade account</li> </ul>
<b>Credit cards</b>	<ul style="list-style-type: none"> <li>▪ Use your credit card to take advantage of an interest free period and delay your payment</li> </ul>
<b>Delay payment</b>	<ul style="list-style-type: none"> <li>▪ If you have a cash shortage contact your supplier and ask for additional time to pay - you may be surprised at the support you receive</li> </ul>

## OTHER OPTIONS THAT WILL HELP YOUR CASH FLOW

<b>Stock on hand</b>	<ul style="list-style-type: none"><li>▪ Holding excessive stock keeps vital cash out of the business. Review your stock levels to ensure you hold stock for the least amount of time between when you purchase and when the item is sold.</li><li>▪ Consider a special promotion or sale to accelerate your cash flow</li><li>▪ Review your slow moving stock and see if you can wither return them to your supplier for a credit on your account or sell them at a discount to create cash flow</li></ul>
<b>Profit Margins</b>	<ul style="list-style-type: none"><li>▪ Review your profit margin to ensure you are obtaining the maximum profit on sale of goods/services</li><li>▪ Review your prices and consider an increase</li><li>▪ Review your suppliers' prices to ensure competitiveness</li></ul>
<b>Overheads</b>	<ul style="list-style-type: none"><li>▪ Review your overheads to identify any costs which can be reduced or eliminated from cash flow</li></ul>
<b>Borrowings</b>	<ul style="list-style-type: none"><li>▪ Obtain additional funding from your bank or credit institution</li><li>▪ Consider 'factoring' your customer invoices to speed up the collection process (your cash flow forecast will help you identify in advance what your needs are)</li></ul>
<b>Owners' contribution</b>	<ul style="list-style-type: none"><li>▪ Owners can contribute additional capital to the business</li></ul>
<b>Owners' salaries</b>	<ul style="list-style-type: none"><li>▪ Reduce owners' salaries/drawings from the business</li></ul>
<b>Assets</b>	<ul style="list-style-type: none"><li>▪ Review your other business assets to identify non-core assets which can be sold to inject much needed cash into the business</li></ul>

## WHO CAN HELP?

Clifford Gouldson provides services in this area that may assist you if your cashflow is struggling. This may include:

- advice on establishing your credit collection policies (including being able to recover all of your legal costs to collect payment);
- preparing letters of demand;
- enforcing debts through the court system;
- issuing Creditors' Statutory Demands against corporations;
- taking steps to wind up companies which don't pay your invoices.

There are also many reputable credit collection agencies that may be able to assist with collecting your well earned payment when the relationship with the customer has broken down.

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