

# Cash flow Whitepaper



If you're logging into your online banking six times a day, you'll know that cash flow can be the bane of any small business.

## How to improve your cash flow

Before the age of internet banking, every business owner would be familiar with the saying “the cheque’s in the post.” But with instant online bank transfers, businesses can no longer use that excuse, so there’s no reason why your invoices shouldn’t be paid on time. And yet the problem of bad cash flow still seems to affect many small and medium-sized enterprises – in fact, it’s one of the biggest reasons for insolvencies.

**“Having a healthy cash flow is vital for all companies,” explains Brendan Flattery, the managing director of the Small Business Division at Sage UK. “A small business can only survive for a limited period with a negative cash flow.”**

Of course, the disappearance of credit lines during the recession hasn’t helped businesses’ cash flow. Companies once used to taking stock on credit have been told they have to pay upfront, and it has become harder for SMEs to secure loans. This makes it even more important to understand how cash flow management can really pay dividends, giving your business the extra boost it needs.

## Who are you dealing with?

There are several steps to improving cash flow. Number one is to be certain that prospective clients are credit-worthy by performing background checks. You should also make time each month to chase outstanding payments and, if you find that a client is falling behind with payments, identify the problem early. Direct debits are one way that large companies control cash flow while eliminating the hassle of chasing payments.

## Future forecasts

If you want to know how your finances tally, you should develop cash flow forecasts. By highlighting when funds are coming in and when others are leaving your account, you can identify times when you may have a shortfall.

“Entrepreneurs must set up processes that help them keep a close rein on their cash flow from the moment they are in business,” insists Brendan. There is software on the market, such as **Sage Instant Accounts**, which will help you keep tabs on your cash flow. By using a warning signal, you can closely monitor periods when you’re close to your overdraft limit. This will help you plan accordingly or come to some arrangement with a supplier, by extending your credit line or agreeing to monthly payments. The more you spread payments, the better your cash flow will be.

Finally, businesses should consider generating forecasts for the year ahead. By inputting your sales data and your payment schedules, forecasting software can generate reports that will give you a reliable health check and allow you to experiment with different scenarios. These can help you make the right decisions about your business – whether you can afford bigger premises, or whether you may need to hire new staff to cope with demand. After all, it’s all a question of cash flow.

**We have software and services designed to help you manage your business and improve your cash flow.**

## About Sage

For 30 years, Sage have been working with all types and sizes of business across the UK, delivering the very latest in thinking on business software and services for every aspect of business. We offer a full range of software and services to make managing your people a whole lot easier, and tackling all the complicated legal issues that come from employing them much more simple.

For more  
information call

New customers  
call **0800 44 77 77**

Existing customers  
call **0800 33 66 33**

or visit our  
**Sage Store**



Sage (UK) Limited  
North Park  
Newcastle upon Tyne  
NE13 9AA

Tel 0191 294 3000  
Fax 0845 245 0297  
[www.sage.co.uk](http://www.sage.co.uk)

© Sage (UK) Limited 2011  
05327CM