

TIPS *from* LauberCFOs

40 Ways to Improve Cash Flow

Cash the Life Blood of a Business

In this issue of "Tips" we will focus on cash. This asset can be more important than employees, customers, revenues, mission statements or catchy web pages. **Without cash a business dies.** Here are some tips we have used over the years to improve cash-flow in a business.

- Have a cash plan for your business. It is hard to improve if you don't know where you're at.
- Collect your receivables. (We will dedicate a future edition to this crucial topic.)
- Eliminate delays in invoicing - get them in the mail as soon as possible.
- Request progress payments on large orders.
- Time your invoices to coincide with your customer's payment schedule.
- Grant cash discounts to key accounts. (Only if you know they will, in fact, pay earlier.)
- Raise selling prices after evaluating volume considerations.
- Negotiate special payment terms with key vendors.
- Set up a payment schedule for large payables. (Vendors tend not to complain if they are receiving regular payments that they can count on.)
- Use extended payment plans for business insurance premiums.
- Take advantage of installment option on Real Estate and Personal Property taxes.
- Determine if you qualify for budget basis payments for utilities.
- Negotiate billing dates that coincide with publication dates in large ad campaigns.
- Have retainers and payment terms with sub-contractors that correspond with the terms you have with your customer.
- Use internet to obtain competitive prices and renegotiate with current suppliers.
- Pay for large service contracts over life of contract.
- Use automated payment systems to time disbursement with exact due date.
- Adopt a "just in time" inventory system for key items, if you can trust your supplier to meet your schedules.
- Defer fixed asset additions.
- Consider leasing vs. buying to eliminate the down payment.
- Set up a lock box system at your bank for cash receipts.
- In a seasonal business, negotiate "skip payments" on bank notes. (10 payments per year instead of 12.)

- Make use of automatic sweep accounts to minimize borrowings or maximize invested cash.
- Negotiate with your bank for a special purpose loan that is tied to the terms of large contracts with unique payment terms.
- Tie a short-term loan to a future cash inflow like a tax refund.
- Consider factoring accounts receivable.
- Avoid cash travel advances for employees. Reimburse on actual expenditures instead. If an employee doesn't have a credit card and they travel often, offer to reimburse the annual fee. Don't use company credit cards.
- Base executive and sales compensation primarily on gross profit.
- Pay sales commissions only after collection from the customer.
- Schedule annual bonus and profit sharing payments during seasonal periods of high cash inflows.
- Change payrolls from weekly to bi-weekly or monthly.
- Delay payroll by five to seven days after end of pay period.
- Evaluate cash impact of owning company cars vs. reimbursing employees for business use of their cars.
- Liquidate obsolete or unusable inventory.
- Sell non-productive assets.
- Rent excess plant space on a short term basis.
- Determine if your scrap is salable.
- Consider sale and leaseback arrangements. (If you have equity in selected assets.)
- Institute a company wide inventory reduction program. (From raw material to shipping supplies.)
- Determine if you qualify to receive inventory on consignment. Pay only when you use it.
- File income taxes on a cash basis if you meet the requirements.

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