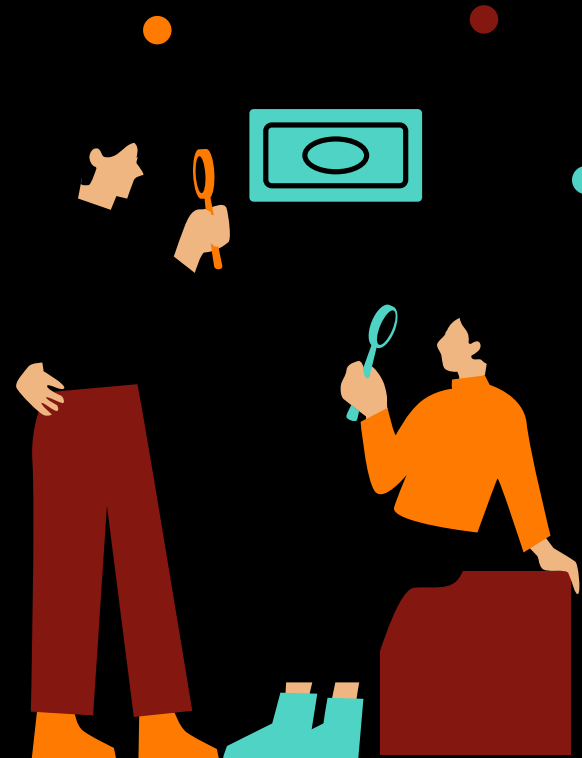




Ways to improve your cashflow



INSIGHTS GUIDE

Looking to improve cashflow? Learn about cashflow and our teams' top tips!



Why is cashflow important?

Cash flow is the lifeblood of any business, representing the movement of money in and out of your company. It's a critical aspect of financial management, often overshadowed by the allure of profitability. Understanding cash flow is paramount for steering your business towards sustainable growth and stability.

Cash flow provides a real-time snapshot of your business's financial health. A positive cash flow indicates that your company is generating more cash than it's spending, ensuring you can meet obligations and invest in growth. Conversely, negative cash flow signals potential challenges in covering expenses, paying suppliers, or sustaining operations. This analysis can be highlighted by various accounting ratios and even raise warning flags for potential investors, lenders, and stakeholders.

What are the top benefits?

- 🕒 **Visibility into Potential Cash Shortages:** Enables proactive management to address financial gaps before they become problematic.
- 🕒 **Validation of Business Models and Sales Projections:** Enhances decision-making by providing a clear picture of expected cash flows.
- 🕒 **Risk Management:** Identifies potential gaps in cash flow, allowing for timely adjustments to mitigate financial risks.
- 🕒 **Effective Credit Management:** Ensures timely receivables and maintains healthy cash flow cycles.



Speak to our team about benefits specific to your business size, industry and goals!

Main types of cashflow

There are three primary types of cash flow.

The first type is Cash Flow from Operating Activities, which includes money from sales, payments to suppliers, employee salaries, and other core business operations. The second type is Cash Flow from Financing Activities, involving transactions related to debt, dividends, and equity. The third type is Cash Flow from Investing Activities, which covers investments in assets like equipment or property, as well as proceeds from asset sales.





Cashflow forecasting

Forecasting cash flow involves projecting future income and expenses over a defined period. This proactive approach enables businesses to anticipate financial needs, plan investments, and mitigate risks. At AJC, we use a combination of in-house technology and industry experience to streamline the forecasting process, gaining valuable insights to guide strategic decisions.

Key formulas for cash flow analysis include Free Cash Flow (FCF), which indicates available cash for reinvestment after accounting for operational expenses and investments; Operating Cash Flow, reflecting cash generated from core business operations and crucial for assessing financial performance; and the Cash Flow Forecast, which predicts future cash inflows and outflows, facilitating informed planning and resource allocation.

Tips for improving cashflow

- 🍪 **Separate Savings Accounts:** Allocate funds for corporate savings, VAT, etc. The percentage varies by industry, so be sure to consult your accountant.
- 🍪 **Amex Business Card:** Offers extra time to pay if needed and you'll get perks like statement credits for purchases from companies like Dell and Adobe.
- 🍪 **Increase Supplier Terms:** Negotiate longer payment terms with suppliers to improve cash flow.
- 🍪 **Chase Debtors:** Ensure timely payment from clients. Your accounting firm can assist with this.
- 🍪 **Regular Cash Flow Planning:** Note, this varies by business. For instance, a professional services could forecast six months ahead, while trades like plumbing might only manage two months.





Let our team help you!

Improving cash flow management is vital for enhancing financial stability within your business. Speak to our team about effective strategies, including prioritising invoice management, simplifying processes for efficient communication, maintaining regular monitoring of cash flow, encouraging early payments from clients, conducting regular credit checks, and balancing sales growth with expense management to ensure financial stability in the business.

By implementing these strategies, you can enhance your business's financial health and pave the way for sustainable growth.

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