

# Comment on...

## Cashflow Management

### **Know your customer**

- Exact name and trading style
- Contact for payment queries
- Credit worthiness
- Who is your contract with?

### **Invoicing**

- Invoice promptly
- Ensure invoices are clear and easy to follow
- Include contact details
- Restate payment terms
- Give bank details etc and confirm payment methods you accept

### **Payment methods and terms**

- Agree payment terms in writing – negotiate these when dealing with suppliers
- Consider different payment methods:
  - Cheque
  - BACs
  - Direct Debit
  - Standing Order
  - Faster Payments

Evaluate payment methods based on convenience and cost e.g. interest for extended payment terms; prompt payment discounts if offered.

## **Debt recovery**

- Produce report of outstanding balances
- Review at regular intervals
- Chase customers by telephone, email or letter
- Document correspondence
- Don't let outstanding balances grow
- 3Ps – be polite, professional and persistent when dealing with customers
- Consider compromise – extended payment plan or discount
- Legal action if necessary

## **Know the true cash position of your business**

- Prepare regular bank reconciliations – be aware of unrepresented items
- Factor in known upcoming income and expenditure
- Plan for large, irregular expenditure e.g. hardware improvements, repairs etc

## **Management Reports**

- Cashflow forecast
- Management accounts – Profit and Loss Account and Balance Sheet
- Budget and budget monitoring reports
- Commentary – understand what the reports are saying about the business

For further information, please contact:

Dave Roberts or Alastair Herbert in the Chiene + Tait Business Support  
Department on 0131 558 5800 or email [mail@chiene.co.uk](mailto:mail@chiene.co.uk)