

Cash flow management

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How To Manage Cash Flow There are several important areas you need to focus on to properly manage cash flow. Collecting receivables, managing credit lines, increasing sales, properly pricing and tracking discounts to customers, securing loans, and properly controlling and recording your cash flow are examples of these areas. It is very important to manage all of these areas and not let one of them spin you into a financial downfall. If they do you can quickly find yourself out of business.

One way to keep that situation from happening is by tracking your cash flow results every month to determine if your management is creating the type of cash flow your business needs. This also helps you get better and better at creating cash flow projections you can rely on as you make business decisions about expanding your business and taking care of your existing bills. Collecting receivables is obviously a very important part of cash flow. You need the money coming to you in a reasonable amount of time so you need someone to stay on top of the amount of time each customer takes to pay you.

This way you can figure out when payments are coming in so you have the money in your accounts when things like payroll come around. When you extend credit lines to customers you need to research how reliable that customer is. Check their credit history, see if their business is growing or faltering and even call and check their references. This way you know when to extend or tighten the credit line. Obviously with new companies it is a little more of a risk but you can always request that they pay with a credit card so you do not find yourself losing your investment.

The most important aspect of proper cash flow management is keeping every transaction recorded and the books up to date. If you do this you will know the exact amount of money you have on hand at any instance. This way you will not have hidden surprises from your end and you will not be left with bounced checks or empty bank accounts. Another good idea is to secure a credit line yourself from a bank or other financial institution so if the need arises you can have the money you need when you need it.