

## cash flow tips for tough times

Australian businesses of all sizes are taking a longer time than ever to pay their bills according to Dun & Bradstreet's recent *Trade Payment Analysis*. Two-thirds of businesses took longer than the standard 30 day period to pay company accounts; many paying trade accounts up to 90 days late.

Simon Allsop, Managing Director of *my accounts*, said that this highlights the financial problem facing many businesses at the moment.

"Businesses are working harder to get paid and this is causing considerable financial distress," said Simon. "It's clear that all businesses need to put good cash flow management practices in place, and make every effort to stick to them, just to remain in business."

From a small business perspective, good cash flow management is about how you organise getting yourself paid. It's about when you bill, how often you bill and what your billing process is like. It pays to make sure your business could survive between two and three months of not getting paid. Here are some ways to do that.

### 1. Secure your line of credit

Banks get tougher when trading is weak. Talk to your bank or financier about their expectations around your cash flow and do what it takes to make sure your line of credit is secure.

### 2. Bill more often

Make sure you're getting paid more often for larger jobs. Consider billing 30% to start a job, 40% when the first milestone is finished, and 30% on completion. Put milestone payments in your contract that reflect the work you're doing.

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### **3. Bill earlier, pay later**

Don't batch invoicing – send your invoices as soon as the work is delivered. Conversely, only pay bills earlier when there's a clear benefit – otherwise pay them on the due date, and no sooner.

### **4. Improve your billing processes**

It is important to understand how your bill is processed by your client. Who approves it? Who deals with it in the accounts team? Make sure they get all the information they need to make payments happen smoothly. Find out when they are taking their leave so you can bring the payment forward or get a referral to someone who will process it for you.

### **5. Work with problem payers**

Work out how long each of your clients takes to pay their bills and identify the slowest payers. Ask them what can be done to improve the billing process – and put more effort into collecting payment from them.

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