

Cash Management Tips for Small Businesses

Cash is the lifeblood of any small business. Here are some tips to help ensure that your business maintains a sufficient cash flow to meet its financial goals and keep running efficiently:

Toughen up your credit policies. Review the payment terms you offer to customers, and tighten them up if slow payment is a problem area for your business. For instance, how long are customers given to pay? What action will be taken if a payment is missed? Be sure your credit terms are communicated effectively to customers before transactions are entered into.

TIP: Consider requiring advance payments--at least in part--for new customers.

TIP: For many businesses, a routine credit check should be performed before a sales or service transaction is entered into with a new customer.

Come up with a budget—and stick to it. Surprisingly, many small businesses do not engage in the budgeting process. A budget can be extremely effective in helping you keep track of whether cost- and revenue-related goals are being met. Depending on the size and complexity of the business, the budget process might be informal or formal, lengthy or simple. Projected revenues and expenses should be broken down by months.

TIP: If you don't already do so, budget for revenues and expenses at the end of each year.

Tighten up billing. If collecting bills has become a problem for your business, you might want to consider increasing the intervals at which customers are billed--e.g., from three months to one month, or from one month to two weeks.

TIP: Review your accounts receivable weekly or even daily to make sure slow payers are not allowed to slide.