

How to improve your business' cashflow

Whether you're holidaying abroad or enjoying the sunshine at home, the summer is a chance to take a well-deserved break.

But for small businesses, this time of year can also come with the stresses of slower business and potential cashflow problems.

Research by Xero has identified August as one of the lowest points of the year for SME cashflow, with frequent holidays resulting in lower staff turnout and delayed invoices.

This doesn't mean you have to write off the entire season as a slow period. This quieter time of year can be an opportunity to plan ahead before your busier months and look at ways to boost your cashflow.

Keep accurate records

Before you can make any detailed plans, you'll need to keep an eye on the exact amounts of money coming in and out of your business.

Having a good understanding of these figures is the first step to planning and improving your cashflow in the future as it will allow you to identify any weak spots and get to know how cash is moving through your business throughout the year.

If you're not keeping your records digitally already, doing so can make a big difference. Talk to us to find out more about your digital accounting options.

Forecast your cashflow

Creating a forecast for your cashflow is a vital part of business planning.

To create this, you'll need a **sales forecast**, which details how much you expect to sell over a period of time, and a **profit and loss forecast**, covering your business' income and day-to-day costs.

Using these details, you can look at the money going in and out of your business over a specific period of time to help identify peaks and troughs.

Create effective invoices

Whether your customer is away on holiday, unable to cover the costs just yet, or if they've simply forgotten, payments to your business can be delayed for various reasons.

There's not a lot you can do to stop these situations, but there are ways to encourage customers to pay on time. A big part of this is being completely upfront about your payment terms from the start.

Make sure to clearly set out your payment terms and conditions, including your right to claim interest on invoices or issue late payment charges.

You may even want to explain your conditions and the way the payment will be calculated before sending the invoice, so your customer is well-prepared ahead of time.

Positive incentives can also be a good way to speed up the process, such as offering a discount for fast or early payments.

Manage your spending

As well as ensuring you have the right money coming in, you'll need to be aware of what's going out.

This could mean looking at where you're spending the most money and how you might be able to make savings.

For example, assessing your stock can help you re-evaluate whether you have the right amounts of the right items. Focus on how long it takes you to sell stock on average, and where the majority of your profit comes from.

Another area to think about is the tax your business is paying, and whether you're taking advantage of any reliefs or allowances.

Some examples of business tax reliefs include:

- R&D relief - SMEs can obtain a 230% tax deduction for qualifying projects
- holdover and rollover relief - businesses can postpone tax when selling certain assets
- patent box - reduces corporation tax to 10% for profits based on UK or European patents.

If you are eligible for these or other reliefs, it makes sense to take them up and make your business more tax-efficient.

We can help you manage your cashflow.