

Managing Cashflow Guides

8. When cash runs short

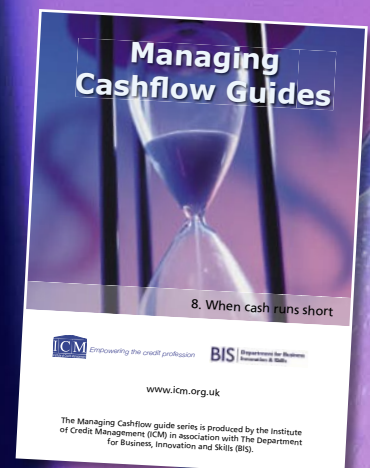
Cash keeps business in business. However healthy the order book and profit margin, if a business runs out of cash it won't be able to pay its suppliers, its wages, or its overheads and it will fail.

Can you answer yes to all of these questions?

- Do you have sufficient cash or finance availability to meet commitments as they fall due?
- Are you confident that this will remain the case for the foreseeable future?
- Do you have, and update regularly, a cashflow forecast to ensure you stay within your financing facilities?
- Are your major customers paying you promptly and not putting you under pressure to extend payment terms?
- Is your product or service so vital to your customers that they will pay your invoices first if they have to choose who to pay?
- Are you sure that none of your customers are having financial difficulties that might make them pay you late, or not at all?
- Are you implementing good credit management practice? (see [other guides](#) in this series for advice and tips).

Five Top Tips

1. Plan your cashflow requirements carefully allowing for differences in the payment terms you receive from your suppliers and those you give to your customers. Regularly update cashflow forecasts to ensure you stay within your financing facilities
2. Monitor stringently against the plan so that you spot any variance as early as possible.
3. If you think you might have a cashflow problem, talk to your bank or financier immediately. They might be able to help and the earlier you speak to them, the more options there will be.
4. If you can't pay a supplier on the due date, talk to them as soon as you know you cannot do so. Again, the earlier you talk to them, the more flexibility they'll be able to show and the more likely they are to be able to accommodate an extension to payment arrangements.
5. Remember, early communication is key – if you avoid talking to suppliers, your bank and other parties, you might find supplies or finance have been withdrawn or legal action has started and things will quickly escalate. There were over 70 corporate failures every working day between May and July 2008, many of these through lack of cash; you need to make sure your business doesn't become a statistic.



The Managing Cashflow guide series is produced by the Institute of Credit Management (ICM) in association with The Department for Business, Innovation and Skills (BIS).

Contacts and suppliers

NEW! Credit Services Provider – Your details could appear here
– Email cashflowguides@icm.org.uk for further details

Note – inclusion of Supplier details in the above list does not constitute endorsement or recommendation of that company, its products or services.

The Guides in this series:

1. Knowing your customer
2. Payment terms
3. Invoicing
4. Treating suppliers fairly
5. Credit insurance
6. Factoring and financing options
7. Chasing payment
8. When cash runs short
9. When all else fails
10. When your customer goes bust

BIS | Department for Business
Innovation & Skills

For tips on getting paid and advice on best practice in credit management, call the Institute of Credit Management on **01780 722911** email tech@icm.org.uk or visit www.creditmanagement.org.uk

For further information and advice on starting up, running and growing a business, call Business Link on **01845 600 9006** or visit www.businesslink.gov.uk



Empowering the credit profession

