



Trudy Belanco

Question
**I've got a cash flow problem—
should I increase my sales?****Answer**
Not necessarily! Increasing your sales usually means that your accounts receivables increase—not your available cash supply. In fact, increasing your sales usually reduces your available cash supply by depleting your inventory and requiring more cash

to purchase more inventory. Without proper planning, you will have a cash shortage in your account, even though business is increasing. It takes cash to grow your business.

One key means of increasing cash within your business is to invoice immediately or on a set regular basis for service or sales provided. You don't get paid until you invoice. If you are too busy working in your business, instead of working on your business, you may experience a cash flow problem. Also be sure to have an aggressive follow-up system in place to collect on overdue accounts. The longer a customer's balance remains unpaid—the less likely it is that you will receive full payment.

The other main means of increasing your cash supply is to manage your payables—keep the cash in your account as long as possible without incurring late fees or interest charges. You may also be able to negotiate with your suppliers to extend the payment terms without penalty, which frees up your cash for other uses. Always remember to keep accounts current to maintain a good credit history. With proper planning you can eliminate the unexpected cash flow problems. **BL**

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