

TOP TIPS ON STAYING SOLVENT

Mismanaged finance is one of the main reasons that businesses fail. Following some simple steps can help you keep on the right track.

- 1.** Make your first aim to break even. This means knowing what your break-even point is and then concentrating your efforts on finding customers and making sales in the right quantity and at the right price. From here you can build up profits to begin to plough back into the business and ensure your long-term survival.
- 2.** Maintain a healthy relationship with your bank. Maintain up-to-date financial records and keep payments and spending within agreed limits. Shop around to ensure you have the best rates and services for your needs. Keep your personal account separate from your business account, to avoid confusion.
- 3.** Prioritise where your cash goes. Make sure you always cover your fixed costs, such as rent, wages and business rates, but keep an eye on your variable costs, such as stock and raw materials. These will vary with sales, but you shouldn't let them get out of control, for example through over-ordering. Keep an eye on your break-even point and make sure that sales are sufficient to reach it.
- 4.** Take a no-nonsense approach. Invoice promptly and make sure your invoices clearly state the terms and methods of payment. Have robust controls on expenditure and try to arrange the most preferential credit terms with your suppliers.
- 5.** Don't ignore your tax requirements. It may be boring, but tax is an unavoidable part of running a business and neglecting it could result in hefty fines. Remain aware of deadlines and consider saving for your tax bill in a high interest earning account.
- 6.** Keep things simple. Give yourself SMART targets - specific, measurable, achievable, realistic and time-bound.
- 7.** Stay on top of paperwork. Introduce a system of weekly and monthly reporting and setting of objectives. Get into a habit early on so things do not get a chance to mount up.
- 8.** Keep track. Use your break-even point calculation, business plan and financial forecasts to judge how well you're doing against your planned objectives. Be prepared to make adjustments to your plan and the way you work, in order to push your business forward.
- 9.** Take care with credit. Avoid offering credit to customers unless it is absolutely necessary. Where you do offer credit, set a limit for each customer account and don't exceed it.
- 10.** Take advantage of suppliers' credit periods. These allow you to buy now and pay later, which can greatly help your cash flow. However, always remember to pay within the agreed time to avoid triggering late payment penalties.