Business advice

## How to avoid insolvency

# 8 top tips on improving your cashflow

MAINTAINING cashflow is one of the biggest concerns for small businesses in the current weak economic conditions.

Cash is the oxygen that enables a business to survive and prosper and is the primary indicator of business health. While a business can survive for a short time without sales or profits, without cash it will die. This is why you must carefully monitor and manage the inflow and outflow of cash.

During the business cycle, you should have more money flowing in than flowing out. This allows you to build up cash balances with which to plug cashflow gaps, seek expansion and reassure lenders and investors about the health of your business.

Income and expenditure cashflows rarely occur together, with inflows often lagging behind. Aim to speed up the inflows and slow down the outflows.

**Cash inflows:**

- Payment for goods or services from your customers.
- Receipt of a bank loan.
- Interest on savings and investments.
- Shareholder investments.
- Higher bank overdrafts or loans.

**Cash outflows:**

- Purchase of stock, raw materials or tools.
- Wages, rents and daily operating expenses.
- Purchase of fixed assets - PCs, machinery, office furniture, etc.
- Loan repayments.
- Dividend payments.
- Income tax, corporation tax, VAT and other taxes.
- Reduced overdraft facilities.

Many regular cash outflows, such as salaries, loan repayments and tax, have to be made on fixed dates. You should always meet these payments to avoid large fines or a disgruntled workforce.

**Top tips on improving your cashflow situation:**

**1. Bill promptly:** Invoicing promptly and regularly should help ensure a steadier flow of cash into the business. Negotiate for regular payments across the life of any long-term contracts you may have.

**2. Avoid overtrading:** Don't continue to accept orders and try to fulfil them if you don't have enough cash or resources to do so.

**3. Recover debts:** Chase up any debts owed to you.

**4. Trim your inventory:** Your inventory ties up your cash. It's a good idea to take the time to plan any stock reduction programmes.

**5. Renegotiate your credit limits:** Adjust payment dates and credit limits with your main suppliers.

**6. Approach your bank:** Discuss with your bank whether they could extend more finance. But be careful not to worry the bank unduly, as they could call in any overdraft you have and make matters worse.

**7. Factoring:** Sell outstanding invoices to a third party, known as a factor. Factors pay some of the debt off in advance of collection.

**8. Sell assets:** You can raise cash by selling under-utilised assets and then leasing them back. However, you must sell the assets at their true price and check whether the sale will result in a profit or a loss.

No matter how effective your negotiations with customers and suppliers, **poor business practices can put your cashflow at risk.**

**Look out for:**

**1. Poor credit controls:** Failure to run credit checks on your customers is risky, especially if your debt collection strategy is inefficient.

**2. Failure to fulfil your order:** If you don't deliver on time, or to specification, you won't get paid. Implement systems to measure production efficiency and the quantity and quality of stock you hold and produce.

**3. Ineffective marketing:** If your sales are stagnating or falling, revisit your marketing plan.

**4. Inefficient ordering service:** Make it easy for your customers to do business with you. Where possible, accept orders over the telephone, email or Internet. Ensure catalogues and order forms are clear and easy to use.

**5. Poor management accounting:** Keep an eye on key accounting ratios that will alert you to an impending cashflow crisis or prevent you from taking orders you can't handle.

**6. Inadequate supplier management:** Your suppliers may be overcharging, or taking too long to deliver. Create a supplier management system.

**7.** Poor control of gross profits or overhead costs.

- There is more information on many of the points above from the government's advisory service for small businesses. Go to:
- **www.businesslink.gov.uk**

## Dids MacDonald on a new global IP index

ACID MEDIA SUPPORTER

# Countries that protect your IP best

WHEN planning an international intellectual property strategy you need to assess IP performance in the different territories to which you export.

A new Global Intellectual Property Index, underpinned by statistical evidence, provides a useful assessment of the best and worst jurisdictions to register, exploit, and enforce particular types of IP and will provide a useful table from which to complete a quick 'swot' analysis.

The index was launched by Taylor Wessing (TW) in conjunction with Managing Intellectual Property.

Michael Frawley managing UK partner of Taylor Wessing, (UK) says: 'IP law is developing rapidly in order to meet the challenges of the ever increasing change technology and no jurisdiction can afford to be complacent about its legal system for IP'.

UK ranks number one in IP!

Designs seems to have been excluded (yet again!) in the analysis of IP rights. However, in focussing on the Big three, trade marks, patents and copyright, the general level of country performance is fairly clear.

(Through ACID Lobby, ACID is assured by the UK Intellectual Property Office (UKIPO) that more acknowledgement of 'designs' as a legitimate IP right will be given in future!)

The index (shown on the right) is based on the analysis provided by Taylor Wessing who ranked 22 jurisdictions in order of IP competitiveness (1 being excellent – 22 bottom of scale) and created five tiers as seen above.

The Taylor Wessing report also observes: Two thirds of the respondents say the time their organisation spends dealing with IP has increased over the past three years.

| Rank | | P | TM | © |
|---|---|---|---|---|
| Tier 1 | UK | 1 | 1 | 2 |
| | USA | 2 | 6 | 1 |
| | Germany | 3 | 2 | 3 |
| Tier 2 | Netherlands | 4 | 3 | 4 |
| | Australia | 5 | 4 | 7 |
| | Canada | 6 | 7 | 5 |
| | New Zealand | 7 | 5 | 6 |
| | Singapore | 8 | 8 | 8 |
| | France | 9 | 9 | 9 |
| Tier 3 | Israel | 10 | 10 | 10 |
| | Japan | 11 | 12 | 11 |
| | Spain | 12 | 11 | 12 |
| | South Africa | 13 | 13 | 13 |
| | South Korea | 14 | 14 | 14 |
| Tier 4 | Poland | 15 | 15 | 16 |
| | Dubai | 16 | 16 | 18 |
| | Italy | 17 | 17 | 15 |
| | Mexico | 18 | 18 | 17 |
| Tier 5 | India | 19 | 20 | 19 |
| | Brazil | 20 | 19 | 20 |
| | Russia | 21 | 21 | 21 |
| | China | 22 | 22 | 22 |

P Patents TM Trade marks
© Copyright

'China is improving almost monthly as it becomes more aware of the value of IP and the need to protect its own IP'. Similarly Brazil has improved its IP enforcement efforts.

Although the UK is ranked first, it is a high cost litigation jurisdiction. Unsurprisingly given the low-cost, quick and effective ex parte interim junctions available in Germany in relation to enforcement, Germany scored higher than the UK.

For the third time in a decade Russia is undergoing an overhaul of its IP laws. CFJ

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