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CERTIFIED PUBLIC ACCOUNTANTS

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From: Joe Mierendorf, Sue Cobb, and Mark Reed

RE: **Cash is King**

“Character and collateral are out; cash flow is in.” That’s the message the banking community is sending to business owners. Here are some tried and true ways to improve cash flow.

1. **Analyze your inventory.** Look at each line item of inventory and your ordering history. Do you have eight weeks of stock for an item that has only two weeks lead time? Do you have slow moving stock that needs some attention – liquidating or changing marketing strategy? Could you raise some cash by selling damaged or obsolete merchandise?
2. **Take a good look at your accounts receivable practices.** Run credit checks on all accounts over a specified dollar amount. Begin the collection process at the point of sale by plainly stating your credit terms. Pay attention to your aging reports, and begin your follow up process when accounts are over thirty days old. If you are in a construction-related business, consider filing liens on receivables over a certain age. Consider faxing or e-mailing bills to customers each day, rather than waiting for the monthly billing date. (Statements could still be sent monthly.) You might consider offering a discount for payments made within ten days of the invoice date, but you will want to calculate how this will affect the overall picture.
3. **Consider adding new sources of revenue to your business.** Is there another product or service that uses resources similar to what you have available? Is there a niche in your area that you can fill? Do consider all the financial commitments that this business expansion will entail. How will you finance inventory and receivables to enter this new endeavor?
4. **Be lean and mean by debt restructuring.** Now may be the time to review your loans, and look for lower interest rates. You may want to investigate a “sweep” account, where your actual checking account balance at the end of the day is minimal, and all of the excess is swept into your line of credit. Advances on the line of credit are made as needed to cover checks clearing your account.

Please contact us if you have any questions, or would like assistance in implementing these suggestions.

Other memos include:

Detecting Fraud
Job Cost Identification
QuickBooks® and Peachtree® Training

Exit Strategies
Buying and Selling Real Estate
Detecting Fraud