

# Managing Cashflow Guides

## Investing in equipment

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The Investing in equipment Guide is produced by the Finance & Leasing Association (FLA), the National Association of Commercial Finance Brokers (NACFB) and the Chartered Institute of Credit Management (CICM) in association with the Department for Business, Energy and Industrial Strategy (BEIS).



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# #12

Buying new business equipment can require a great deal of cash. In some sectors, such as agriculture or manufacturing, the cost of new equipment can be more than the business's annual turnover. Equipment finance, such as leasing or hire-purchase, helps many businesses to invest without the need for a big up-front cash investment. It also helps businesses who manufacture and distribute equipment to increase sales by helping their customers to invest when cash is tight.

## CAN YOU ANSWER YES TO ALL THESE QUESTIONS?

- › Do you have the equipment you need to run your business most successfully?
- › If you don't have the cash to purchase the equipment you need, have you considered leasing the equipment instead of purchasing?
- › Have you helped your customers to afford your equipment by offering a finance option?
- › Have you considered making the most of your available bank credit lines by leasing new equipment rather than using cash from traditional bank loans?

# Investing in equipment

## 5 TOP TIPS

1. Remember that a lease is an agreement to rent equipment for a period of time, so consider what happens after that. Unless you are sure you won't need the equipment any more, look at what it would then cost to buy the equipment or to carry on renting it.
2. Make sure you know what will happen if the equipment breaks. Some lease agreements include equipment maintenance but often it will be your responsibility to arrange servicing and insurance. You will probably have to continue making rental payments even if the equipment can't be used.
3. Be wary if an equipment supplier suggests that you change or 'upgrade' leased equipment half-way through a lease agreement. This could lead to you paying for two pieces of equipment when you are only using one. It's often better to wait until the end of the agreed lease period before upgrading.
4. If a lease agreement includes maintenance, or supplies such as paper for photocopiers, look at whether it would cost less to buy those services separately. Check who will provide the services and what would happen if that supplier went out of business.
5. If you manufacture and distribute equipment, offering a financing option can be an excellent way of helping potential customers. A commercial finance broker could help to introduce a suitable finance company to provide equipment finance to your customers. Working with a finance company you would get your cash as normal when the equipment is sold.



# Contacts and suppliers

CICM

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*The Chartered Institute of Credit Management (CICM) is the largest recognised professional body in the world for the credit management community. Formed over 75 years ago, the Institute was granted its Royal Charter in 2014. Representing all areas of the credit and collections lifecycle, it is the trusted leader and expert in its field providing its members with support, resources, advice, and career development as well as a networking and interactive community. In addition to its comprehensive suite of qualifications and learning opportunities, events and magazine 'Credit Management', the CICM administers the Prompt Payment Code for BEIS. Independently, and through collaboration with business organisations, it provides vital advice to businesses of all sizes on how best to manage cashflow and credit.*

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[www.cicm.com](http://www.cicm.com)

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

Credit Services Providers – To be included in this page, please email [cashflowguides@cicm.com](mailto:cashflowguides@cicm.com) for further details.

# NACFB

Helping Fund UK Business

The National Association of Commercial Finance Brokers is the UK's trade body for business finance brokers. It was founded in 1992 in response to the growing incidence of fraud and is run by an elected Board of Directors supported by the Executive. It was formed in the belief that the establishment of measurable standards of proper professional practice in sourcing commercial funding was in the best interests of its SME customers, and vital to the integrity and future well-being of the industry.

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The Finance & Leasing Association was formed in 1992 when the Equipment Leasing Association and the Finance Houses Association merged – making it the leading trade body for the asset, consumer and motor finance sectors in the UK, and the largest organisation of its kind in Europe. In 2016, members of the Finance & Leasing Association (FLA) provided £118 billion of new finance to UK businesses and households, £41 billion of which helped consumers and businesses buy new and used cars, including over 86% of private new car registrations. One of the most important services it offers is making sure that its members' views are heard by those shaping the business environment in which they operate. It lobbies on industry issues, both at home and in Europe, and also as a member of Eurofinas and Leaseurope, the European umbrella bodies for the sectors it represents.

 [www.fla.org.uk](http://www.fla.org.uk)



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For tips on getting paid and advice on best practice in credit management, call the Chartered Institute of Credit Management on **01780 722912** email [helpline@cicm.com](mailto:helpline@cicm.com) or visit <http://www.cicm.com/member-helpline/> For information and advice on starting up, running and growing a business visit [www.gov.uk](http://www.gov.uk)

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## Prompt Payment Code

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