

Managing Cashflow Guides

Sponsored by  | Onguard

When cash runs short

WWW.CICM.COM

The Managing Cashflow Guide series is produced by the Chartered Institute of Credit Management (CICM) in association with the Department for Business, Energy and Industrial Strategy (BEIS).



Department for
Business, Energy
& Industrial Strategy



Chartered
Institute
of Credit
Management

#8

Cash keeps business in business. However healthy the order book and profit margin, if a business runs out of cash it won't be able to pay its suppliers, its wages, or its overheads, and it will fail.

CAN YOU ANSWER YES TO ALL THESE QUESTIONS?

- Do you have sufficient cash or finance availability to meet commitments as they fall due?
- Are you confident that this will remain the case for the foreseeable future?
- Do you have, and update regularly, a cashflow forecast to ensure you stay within your financing facilities?
- Are your major customers paying you promptly and not putting you under pressure to extend payment terms?
- Is your product or service so vital to your customers that they will pay your invoices first if they have to choose who to pay?
- Are you sure that none of your customers are having financial difficulties that might make them pay you late, or not at all?
- Are you implementing good credit management practice? (see other guides in this series for advice and tips).

When cash runs short

FIVE TOP TIPS

1. Plan your cashflow requirements carefully allowing for differences in the payment terms you receive from your suppliers and those you give to your customers. Regularly update cashflow forecasts to ensure you stay within your financing facilities
2. Monitor stringently against the plan so that you spot any variance as early as possible.
3. If you think you might have a cashflow problem, talk to your bank or financier immediately. They might be able to help and the earlier you speak to them, the more options there will be.
4. If you can't pay a supplier on the due date, talk to them as soon as you know you cannot do so. Again, the earlier you talk to them, the more flexibility they'll be able to show and the more likely they are to be able to accommodate an extension to payment arrangements.
5. Remember, early communication is key – if you avoid talking to suppliers, your bank and other parties, you might find supplies or finance have been withdrawn or legal action has started and things will quickly escalate. There were over 55 corporate failures every working day in 2015, many of these through lack of cash; you need to make sure your business doesn't become a statistic.





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, 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.

Guides in this series:

1. Knowing your customer
2. Payment terms
3. Invoicing
4. Treating suppliers fairly
5. Credit insurance
6. Invoice Finance and Asset Based lending Options
7. Chasing payment
- 8. When cash runs short**
9. When all else fails
10. When your customer goes bust
11. Managing cash through Brexit
12. Investing in equipment

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** or visit **<http://www.cicm.com/member-helpline/>** For information and advice on starting up, running and growing a business visit **www.gov.uk**

 www.cicm.com
 [CICM Credit Community](#)
 [@cicm_hq](#)
 [CreditManagement](#)

WWW.CICM.COM

The Managing Cashflow Guide series is produced by the Chartered Institute of Credit Management (CICM) in association with the Department for Business, Energy and Industrial Strategy (BEIS).

Prompt Payment Code

Administrated by the Chartered Institute of Credit Management on behalf of BEIS

© Chartered Institute of Credit Management 2021



Department for
Business, Energy
& Industrial Strategy

