Cash Flow Acceleration is Critical to Profitability

One of the most important ways a Chief Financial Officer (CFO) can make their company more profitable is by accelerating cash flows. The following six strategies are just a sampling of some of the techniques used by many CFOs today.

Prepare a Cash Budget

Prepare a monthly cash budget with weekly forecasts to track actual cash against projections. This tool will enable you to better control where your money is going when and help you prioritize future expenditures.

Require a Down Payment

Sellers can reduce their nonpayment risks by not accepting large orders from unproven customers without doing a full credit check. Talk with the prospective customer's current suppliers to see what their payment history has been.

Business owners can take command of their collections by requiring a down payment before buying supplies or starting work on large orders. If you feel there is too much risk, offer the buyer a smaller supply with the provision that larger supplies will be provided when full payment has been received on their previous order.

Consolidate Purchasing

Centralize purchasing for your firm within major profit and loss centers. This process reduces administrative costs. Standardized purchasing policies and procedures promote efficiency by preventing duplication of efforts. When negotiating with your vendors, agree on the price of the goods and services first then negotiate the best payment terms you can get to save cash.

Utilize Multiple Suppliers

Prevent costly supply disruptions which can bring sales and cash flow to a full stop. Use multiple suppliers for critical items whenever possible. Know your suppliers' financial status so you can alleviate potential disruptions before they happen.

Turn Inventory into Fast Cash

Turn slow moving inventory into cash by discounting it to move quickly or by returning it to the vendor. Record and document any damaged inventory right away. This can save cash if the damaged merchandise was not sold. Unsold inventory can be written off as a loss for income tax purposes.

Focus on Return on Investment (ROI)

The link between your invoicing and cash flow is paramount. Streamlining your accounting system to make sure you can measure the profit on each item sold and each service rendered is critical. This makes it easier to measure your ROI and makes your customers happier because you are more efficient in your operations.

Pacific Crest Group's Key Performance Indicator Guideline defines frequently used metrics and how to use them. It provides a case study, sample forms and charts for your use. Pacific Crest Group's Chief Financial Officer (CFO) services provide explanations on how interim CFOs can help you.

Pacific Crest Group provides professional services that keep your business focused on your critical objectives. We provide strategic Accounting and Human Resource (HR) services created specifically to help you meet your goals. Through exemplary customer service, clearly defined policies and procedures as well as a forward-looking perspective, we provide the outsourced solutions your business needs to grow. A PCG professional is happy to meet with you to discuss solutions for your unique requirements designed to maximize all of your business opportunities.