



SHEPHERD & GOLDSTEIN

Business Consultants and Certified Public Accountants

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REVENUE IS VANITY; PROFIT IS SANITY; CASH IS KING

Things to do tomorrow

1. Create cash.
2. Conserve cash.
3. Know exactly where your cash is now and where you expect it to be next week and next month.



Create cash

- Consider drawing down unused lines of credit – banks may withdraw it if unused.
- Inventory that doesn't turn should be converted into cash – even at a loss.
- Identify redundant assets and sell them.
- Keep close to your customers. Be very strict on respecting credit terms. Give them incentives to pay early.
- If you have to reduce payroll costs, do it in a way that respects your company's culture.

Conserve cash

- Obtain better credit terms from your suppliers – they may be happy to hear from a customer wanting to do business.
- Defer unnecessary expenditures.
- Pay annual costs (insurance, maintenance contracts, etc.) on a monthly basis.
- Include interest costs in your customer profitability analysis – don't carry customers that require you to tie up too much of your needed capital.
- Examine your corporate tax installments; if you expect lower profits in the coming year, consider reducing them.

Know where your cash is

- Install and use a cash flow monitoring system that tells you where your cash is, and what working capital (Cash, A/R and Inventory over A/P).
- Cash flow forecasts should be updated weekly and banks should be alerted to potential problems well ahead of time – they never liked surprises, now they like them even less.

