



# ★ info

Newsletter for Sage BusinessWorks

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## Did You Know

A white paper entitled "Growing Pains - Expansion Strategies For Small Firms" is available from Sage. Developed for Sage by *The Economist*, the paper offers practical advice on how to grow your business prudently. [Click here](#) to download the white paper.

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## Managing Your Cash Flow

**A**voiding cash flow crunches often is a challenge for small businesses, particularly in tough economic times. Customers start paying a little later, while at the same time suppliers tighten their credit and payment policies. To survive the economic slowdown and be positioned to prosper when economic conditions improve, it is essential to proactively manage cash. In this article, we will take a look ways you can more effectively manage your cash flow.

### Make And Follow Credit Policies

Naturally, the area in which you can do the most to keep cash flowing is in collecting from your customers. But you also must avoid selling to customers who can't pay—no matter how much you need the business.

Create procedures to check credit before giving terms. Make certain that your customer-facing staff members understand your credit policies and that they follow them. If you require that e-mail addresses be included with credit references, you can set up a template in Custom Office with the credit questions you need answered, and check references with minimal effort. It also may be wise to recheck the credit standing of existing customers, as their rating may have changed due to the current economic downturn.

### Motivate Customers To Pay

Keep your organization at the top of your customers minds with frequent reminders of amounts due. If you sell products, be sure to



mail the invoice the same day the product ships so it goes into your customers accounts payable system promptly. And if you are a service-based business, bill your clients twice a month or once a week instead of monthly.

Don't wait until the invoice is due to remind customers of their obligation. You can generate mid-month e-mail reminders based on criteria within your Sage BusinessWorks Accounting database. You can use Sage KnowledgeSync to make the process automatic.

An excellent way to ensure timely payment is to offer both an early payment discount and institute late payment charges. Even a small discount, such as 2 percent can motivate prompt payment, as can penalties for paying late. Be sure to print these terms prominently on invoices and statements.

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## Managing Your Cash Flow

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### Implement a Deposit Policy

For large orders or engagements, request an up-front deposit of up to 50 percent. This enables you to cover costs such as material and labor before fulfilling the order.

Accepting credit cards makes it easier for customers to pay on time. They may not have the money in the bank, but they probably have available credit on their credit card. Accepting credit cards also makes it easier to collect deposits up front as discussed above.

### Stay On Top Of Receivables

Make a point of reviewing outstanding receivables on a weekly basis, and take prompt action when amounts become past due. Compare total outstanding receivables over time. Regularly review total receivables and past due amounts over time so you understand your cash flow trends. This can help you identify potential cash shortfalls and take early action.

### Don't Leave Money On the Table

Regularly compare your pricing structure against actual costs to make sure that your products are profitable. Small increases are easier for customers to accept.

Are there services you give away that you should really charge for? Do you go out of your way to process rush orders, but fail to charge extra for the service? What about local delivery services? Does your service-based company too often not bother to bill for a five-minute phone call? What about handling charges? The cost of labor and packing supplies is significant. Consider adding a handling charge to actual freight to cover these costs. Think about what other services you are currently giving away for which you could (and should) charge fees.

### Reduce Inventory And Streamline Product Lines

Excess or obsolete inventory adds a heavy burden to your costs. Can excess inventory be returned to the vendor? Could you reduce the number of SKUs by eliminating low volume or similar items?

### Negotiate With Suppliers

Suppliers value your business and are often willing to offer special terms, especially for larger orders, giving you time to collect balances from your customers. It is better to request special terms up front than to pay late.

### Lower Banking Costs

Bank charges and transaction fees can really add up. If you do all your banking with one institution, or hold assets such as certificates of deposit with your bank, your bank may be willing to waive checking account and other service fees.

If you have several loans such as a vehicle loan, an equipment loan, and a business line of credit, review the rates and terms. You may be able to consolidate them into a single lower-interest account.

### Sage BusinessWorks Can Help

Have you optimized cash flow in your business? Your Sage BusinessWorks Accounting software contains the tools and features to help you implement many of these suggestions. Give us a call with your questions. ✨

## (( For Your Information ))

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act (ARRA) into law. You should already have received information about how ARRA affects the way you conduct business. Here we provide a brief overview and reminder.

### Changes To Payroll Calculations

The Making Work Pay Credit is a tax credit provided to eligible workers in 2009 and 2010. It has been implemented through revised income tax withholding tables used to calculate payroll tax deductions. ARRA also increases the Earned Income Tax Credit (EITC) percentage for families with three or more qualifying children to 45 percent, and also increases the threshold phase out amounts. The legislation also increased the fringe benefit for public transportation and van pools to \$230 per month. The required changes were included in the Sage BusinessWorks Q1 tax table update, and the new rates were required to be implemented by April 1st. Call us immediately if you have not received and installed your tax table update.

### COBRA Health Insurance Extension

Employers are required to provide extended health insurance benefits for individuals who were involuntarily terminated between September 1, 2008 and December 31, 2009, and provide them with a 60-day election period in which to enroll. This includes employees who elected COBRA and then became disqualified due to non-payment. Employers were required to notify terminated employees within 60 days of the enactment — or by April 18. ARRA entitles eligible workers to continue their health coverage at just 35 percent of the normal rate. This reduced cost is effective for nine months. The federal government is subsidizing the remaining 65 percent of the cost of health care coverage through a tax credit to employers.