

# Round Up the Extra Cash in your Balance Sheet

15 Tips to Preserve the Cash You Have & Gather Up What's Coming to You



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**I**n challenging times, business owners and managers know they need to tighten the reins. Often you look first to cutting costs and improving revenues. But don't overlook the balance sheet.

This article will help you preserve the cash you have and gather the cash you have coming as quickly as possible.

The experts (whoever they are) do not know when the economy will get better. And when we get there, there may be a new normal. So even if you do not think you are in trouble for cash, this is a good exercise to go through.

And if you need more capital or need to approach your lender to restructure your loans, be sure to check your balance sheet first. You might be surprised at what you find.

And your lender will appreciate that you looked to other resources before asking for a restructure or additional financing.

## Cash

### **1** 13 week cash forecast

Keep a 13 week cash forecast and update it weekly. This is a terrible time to be surprised by a cash shortfall. The sooner you know it is coming the sooner you can work on plugging the hole.

### **2** Horde cash

While some businesses have excess cash, more do not. And most do not yet have a clear picture of how long the down-turn will

continue, or how slow the recovery will be. When in doubt, build up a cash cushion.

### **3** Keep it simple

This is not a time for unusual investments. Keep the cash handy.

## Accounts Receivable

### **4** Accelerate receivables

Consider accepting charge cards, encouraging cash sales with discounts and factoring (borrowing on receivables).

### **5** Collect aggressively

Keep in mind these are your customers and you may want to help them through the recession along with you.

Check their credit. Call immediately when the bill is overdue. Consider asking about the quality of the product/service first.

Keep on it but consider negotiating with a valued customer who you think will make it through and has troubles of their own.

### **6** Monitor Receivables

Watch accounts receivable aging and days in receivables. If it starts to get later or longer, look closer. Get help from your accountant if you do not know how to calculate these.

## Inventory

### 7 What isn't selling?

Consider a heavy discount to get rid of it. Be sure you are purchasing the right products.

### 8 Monitor Inventory

Pay attention to days in inventory and the frequency of stock outs. Get help from your accountant if needed.

### 9 Fine-tune orders and delivery times

Order smaller amounts (considering volume discounts you might lose). Work with suppliers to reduce delivery time.

I do this with my printer. He knows about how many manuals I need over the course of a year for manual sales and for the training I do with lenders. If he has idle workers, he can have them do a print run of my manuals.

He keeps them until I need them, but generally not too long. I submit smaller orders and only pay for what I need. It works for both of us because we communicate.

## Equipment

### 10 Do you need everything?

Consider selling unneeded equipment. Be careful if the equipment is collateral for a loan.

### 11 Purchase smart

Carefully consider capital expenditures, operating leases instead of purchase and outsourcing.

Explore collaborating with another business to purchase equipment together.

## Intangibles

### 12 Do you have funds tied up?

Consider licenses, patents or intellectual property you could sell.

## Liabilities

### 13 Negotiate

This is a tough environment in which to negotiate but try it. Consider offering equity in place of debt for private debt holders.

### 14 Watch your covenants

Know what you have agreed to. If you are going to miss a covenant, communicate with the banker right away and let him/her know what you plan to do to fix it.

## Equity

### 15 Bring in new owners?

This is a very big decision and will have repercussions long after the recession is over.

But if you have someone in the wings who has wanted into ownership, like a key employee, this may be an easier entry for them and bring the business needed capital.

## Keep a watchful eye

With reduced cushions, keep an eye out for the unexpected: lawsuits, insurance claims, natural disasters, and dropping asset values that might get you in trouble with loan covenants.

## Communicate with everyone

Much advice about finding cash in your balance sheet suggests you slow down payables and accelerate receivables. But isn't that exactly what your customers and vendors are doing?

I have a better idea. Communicate closely with your vendors and customers. You all want to make it through in good shape.

Talk with each other and find ways to make it work for all of you.



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**Linda Keith CPA** helps financial institutions improve loan quality and strengthen borrower relationships. She helps businesses improve results.

From assessment of credit policies and tools to her practical, understandable and even funny approach to tax return and financial statement analysis, she helps banks help their lenders say “Yes” to good loans and make more of them.

More resources for banking and business at [www.LindaKeithCPA.com](http://www.LindaKeithCPA.com).

## Increase Revenues and Improve Profitability

Now you can turn your attention to the income statement. Focus on increasing revenues.

Be very cautious about reducing costs. There may be some fat you can trim, but draconian cost-cutting may harm the business in the long run. And if you can get to the long run, that is what counts.

## A strong Balance Sheet

Business owners, managers and their lenders have always paid attention to the Income Statement. In challenging conditions, it is often the strength of the balance sheet that will get you through the recession and let you take advantage of the opportunities coming out of it.