

A STRATEGY FOR CASH MANAGEMENT

- a) The business should be able to match its cash outflows with cash inflows, even when it is growing.
- b) The pace of growth of the business should not outstrip the ability of the business to finance the additional assets that it needs to support the growth.
- c) There should be a policy for dividend payments that the business should try to adhere to, and so a policy for retained profits as a source of funds.
- d) There should be a policy for debt gearing. To what extent should growth be financed by additional long-term debt?
- e) There should be a policy for some identifiable assets, such as property or investments, which could be sold off for cash should the need become unavoidable.
- f) There ought to be efficient management control over stocks, debtors and creditors.
- g) A distinction should be made between capital expenditure which is essential or non-essential.

A comprehensive sch

eme of cash forecasting would provide for the planning and control of cash incomes and expenditures in both the short and long term.

HOW DO CASHFLOW PROBLEMS ARISE?

- 1) Making losses.
- 2) High inflation, which cannot be all passed on.
- 3) Growth, without the funds.
- 4) Seasonal business.

IN WHAT WAYS CAN CASH SHORTAGES BE EASED:

- 1. By postponing capital expenditure.
- 2. Be accelerating cash inflows which would otherwise be expected in a later period.
- 3. Reversing past investment decisions by selling off assets previously acquired.

4. By negotiating a reduction in cash outflows, so as to postpone or even reduce payments.