



## Business Planning

A common question we hear is:

**HOW COME I MADE A PROFIT, BUT HAVE NO CASH?**

There are a number of cash outflows that affect this. For example: **Debt Control, Margins/costing, Financing, Drawings and Capital Expenditure.**

A lot of businesses run credit for their customers (Debtors) and spend time chasing this credit with time and again the credit given being exploited. This money owed is for products or services sold and quite often you have already paid wages or paid for the products themselves.

Under the Accruals Regime all sales have to be declared in the annual tax return whether they have been paid for or not. You are then paying tax on the profit of this sale even though you still have not received the cash to pay this tax.

Often the only area looked at when giving credit is obtaining the sale. But is this sale worth it if you do not receive the money, say on average, until two months or more down the track. You have paid for the goods and the wages for the staff and then, if you have an overdraft, the interest for not receiving the money earlier. How much profit have you really received on the deal?

Planning involves credit and cash control. We are not all good at this and in fact, no-one likes it, but to have a good cashflow means keeping your debtors to a minimum. Keeping these to a minimum does make for a less stressful operation. This will then allow planning for growth, expansion and financing without the problem of credit control holding you back.

See our later newsletters for information on other areas that affect your cashflow and profit. Acorn can discuss with you any aspects of these and assist with tools and experience on how to increase your cashflow and profit.