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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.

Managing Your Cash Flow

Avoiding 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. We cover one of them, the Consolidated Cash Flow Report, on Page 4 of this newsletter. 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.

The Business Of Backup

How often do you backup your Sage BusinessWorks Accounting data? Consider the time and expense of rekeying transactions in the event of virus attack, power outage, or data corruption. Protect your data and your business by using the built-in backup tool Sage BusinessWorks provides you. While there are many considerations in developing a backup routine, the most important aspect of any system is to make sure it's performed on a regular basis. You already know how important it is and in this article we will remind you of just how easy it is to establish and maintain a reliable backup schedule.

How Often And How Long

The best advice is to back up your Sage BusinessWorks data every business day. At a minimum, make it a habit to perform a backup three to four times a week. Be certain not to overwrite each day's backup until you create a weekly backup.

At the end of the week, perform a backup and store it away along with the other weekly backups. If you're storing your backups on a tape or re-writeable media, you can reuse the weekly backups after you create the final full monthly backup.

Perform your monthly backup just prior to closing the current month. Store this backup in your long-term archive. At the very least, you should keep monthly backups for the current year and entire prior year.

It's a good idea to keep a backup log to record the date and time of the backup, what period of time is covered, and what data is included. And remember to store your backup copies in a different location than the original data.

Media And Naming Conventions

You can backup files to a secondary hard



drive, another location on your primary hard drive, CD ROMs, DVDs, removable disks, or tape. A very convenient method to perform quick backups of data is to use a removable storage device. Tape backup systems represent an effective method for storing a company's complete data and program backups. They are capable of holding a large volume of data, and may be stored off site for a greater measure of security. Choose a backup file naming strategy using the company ID and date. As an example: ABC-062509.ZIP would be used for the ABC Company's June 25, 2009 backup.

Backup Made Easy

The Sage BusinessWorks Database Backup Wizard guides you through each step of the backup process. To backup company data, click the Company ID of the company you wish to copy, if you also wish to backup system data such as passwords, security, and custom forms, click System and continue. You will be prompted to enter a backup file name and location. Sage BusinessWorks will create the backup file in a zipped (.ZIP) format.

You can select Backup from the Launcher's File menu to launch the Wizard. Additionally, Sage BusinessWorks will prompt you to backup each time you exit the program.

Backup All Business Data And Programs

The Sage BusinessWorks data backup is not the only backup you need to perform. If you neglect to back up the balance of your Sage BusinessWorks program files and other important data such as your e-mail and calendar, word processing, and spreadsheet documents, you put your business at a much higher risk. In determining how often you need to perform a full-system backup, first analyze the risks you are willing to take. Consider how much time and effort you just spent entering valuable data, and how frustrating it would be to duplicate that effort. For most businesses, a daily backup of your computer systems should be a central element of your risk management plan.

Test Your Ability To Restore

It is a good idea to periodically test your ability to restore data from your backup media. Create a test word processing file or spreadsheet file and test restoring it. Tapes and disks have a finite life span, usually one year or less. Mark the start date on each tape, and then you will know when it's time to replace them.

Get in the habit of performing regular back ups of your data and system—it makes good business sense. Please call us with any questions. ✨



IN THE SPOTLIGHT: Consolidated Cash Flow Report

The Consolidated Cash Flow Report provides a convenient overview of all cash-related information in a single, concise report. You can use this report to examine how receivables and payable invoices will affect the inflow and outflow of cash within your business. It can be a powerful analysis tool in projecting total cash flow and assists with predicting future cash requirements. The report includes customer invoices that should be paid as of a particular date, vendor invoices needing to be paid, and General Ledger cash balances for the selected period. Information can be sorted by customer ID or name and vendor ID or name. Invoice amounts are displayed based on the number of days defined for each period of time. This report is available in either detail or summary format.

In order to evaluate your cash position over time, the report includes a number of columns, called Ending Columns, designed to print information as of a specific end date, such as the end of a week. A final column captures all future amounts not included in the amounts for all Ending Columns. For example, if your columns include amounts for the periods ending June 2nd, 9th, 16th, and 21st, the final column would include all amounts due after June 21st.

Customer Receivables

You can choose how you want the report to calculate expected payments from customers. It can be based on due date, average days to pay, or discount date. You may find it

informative to print the report several times, changing this selection, to see how it affects your cash flow. When printed in detail, the report displays each invoice number, date, and due date, so you can use the report to follow up directly with customers regarding specific invoices and amounts. For each customer, a cumulative total is provided for each Ending Column date, and for all periods included in the report. At the end of the customer section, a grand total of payments you can expect from all customers is printed.

Accounts Payable

Similar to receivables, you can choose how you want the report to calculate when you will need to pay vendors and suppliers. It can be based on invoice due date, discount date, or scheduled days to pay. By printing the report based first on due date, then on discount date, you can evaluate how much you save by paying early, and whether your receivables position will give you enough cash to do so. When printed in detail, the report displays each invoice number and due date. If a vendor's invoice is on hold, an asterisk appears beside it. For each vendor, a cumulative total is provided for each Ending Column date, and for all periods included in the report. At the end of the Vendor section, a grand total of payments you will need to make is printed.

The Bottom Line

At the end of the report is your bottom line. Cash required is compared to cash expected for each column so you can anticipate periods

with cash flow crunches. Finally, current general ledger cash balances are added in to give you the grand total of anticipated cash available or required for the periods on the report. In order for your general ledger accounts to appear on the Consolidated Cash Flow Report, they must be set up with a subtype of Cash.

Please call us with any questions. ✨



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