Suncorp Widget Guide

Cash Position & Coverage

The Suncorp Cash Position & Coverage Widget displays a daily ratio of assets and liabilities for the current and past weeks – comparing them across weekdays.

About this Widget

This Widget is designed to help you measure your ability to meet financial obligations. It can help you:

- Measure your company's solvency and ability to sustain business operations in the future. Note that the time taken to pay creditors or convert debtors into cash is not taken into account.
- Monitor large receivable/payables to ensure that your business can cover large creditor balances with convertible cash assets.

Data essentials

For an accurate view, your Accounts Payable/ Accounts Receivable and tax liability information need to be error-free.

Making the most of your Widget

- Regularly check to ensure your bank balance is correct in your software application.
- Ensure your payables/receivables information is up to date and error-free.
- Continually monitor invoices sent out or received to ensure there are no outstanding invoices greater than your payment terms.

Tips to address a negative trend

1. Increase your Cash Position and Coverage Ratio

- Consider reducing your payment terms (for example, from 30 days to 20 days).
- Clearly communicate your payment terms and encourage adherence to the timeframe.
- Be persistent when chasing up non-paying customers with timely reminders.
- Facilitate security with your bank over any lending applications.
- Consider offering a discount to customers who pay earlier than the defined payment terms (discounts should relate to the cost of finance/ short term loan interest rates).
- Consider offering reduced payment terms and/or charging interest on consistent late paying customers.
- Net off sales and purchases on credit with the same customer/supplier.

2. Consider increasing your payment terms with suppliers

- Negotiate an increase in payment terms with large suppliers to improve cash flow and ensure that any short-term obligations are met more easily. When you're negotiating, consider making an enquiry with other suppliers that offer similar products.
- Negotiate terms with suppliers so that your sales invoice terms equal your payment terms, allowing you to cover payables with your receivables.

Tips to address a negative trend cont.

3. Review your operating expenses and assets

- ☑ Consider removing the least profitable products and services from your offering, focusing more on lines that produce a better return.
- ☑ Consider selling assets that aren't generating adequate returns or sufficient revenue.
- ☑ Use interest-bearing accounts for large cash balances rather than day-to-day cheque accounts.
- ☑ Analyse expenditure that's not directly related to revenue and look to reduce inefficient operating costs. Aligning your expenditure with the business functions that are generating the greatest return should help increase your sales and cash flow.
- ☑ If needed, finance large asset purchases with long-term debt that offers more favourable interest rates/repayments.

4. Adjust owner equity

- ☑ Consider reducing your shareholder drawings, as withdrawing too much can cause cash flow shortages.
- ☑ Use equity (personal or third party funds), cash or long-term loans to finance your operating cycle, instead of short-term debt.

5. Review your prices

- ☑ Increasing your prices is the fastest and most effective way to increase profits if volume is sustained. However, price increases require careful consideration of inflation, seasonal sales factors, competitive aspects, and basic supply and demand for your products and services.
- ☑ Identifying your high volume products/ services and marginally increasing prices may have a positive impact on profit. Alternatively, marginally decreasing prices on low volume/ high margin products may increase your sales volumes.

Troubleshooting

Accounts Payable ledgers can often contain errors due to information being outdated, or because they contain duplicate invoices or invoices that aren't yet due.

Bank variations can be caused by incorrect opening balances, duplicate bank transactions made in error and reconciliation errors.

Corrective action

Quickbooks users can search for:

- ☑ Specific corrective actions here
- ☑ Common bank errors and corrective actions here
- ☑ Reconciliation errors and balance variations here
- ☑ Accounts Payable errors here
- ☑ How to resolve Accounts Receivable errors here

FreeAgent users can search for:

- ☑ Specific corrective actions here
- ☑ Or search FreeAgent Knowledge Base here

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