

Balance Sheet

Cash is a finite resource and it is essential for a company's current obligations as well as its future. Therefore it is not uncommon for most small businesses to have a need for more cash. So where do you find the cash to sustain the business? You'll find it on the Balance Sheet.

A balance sheet is a financial statement that summarizes a company's assets, liabilities and shareholders' equity at a specific point in time. These three balance sheet segments give investors/owners an idea of what the company owns and owes, the amount invested by the shareholders, and a fairly accurate snapshot of the company's financial performance and value. Here are several "stones left unturned" that most business owners and managers often overlook.

Accounts Receivable

Accelerate receivables by accepting credit cards, offering cash sales discounts and factoring (borrowing on receivables). In the meantime, collect aggressively from your customers while bearing in mind that you may want to help some through their cash crunch alongside yours with "creative" collection terms. Make sure to call immediately when the bill is overdue. And above all, carefully monitor accounts receivable aging, a.k.a. Receivables Turnover Ratio. Your local FSBDC Consultant can help you calculate this important ratio.

Inventory

See what is not selling and consider deep discounts on this inventory in order to return the cash back to the company. Pay close attention to the Inventory Turnover Ratio and react accordingly. For instance, place smaller orders with faster turnaround from your suppliers. At this point, purchasing inventory from your suppliers for the sake of volume discounts is not practical. Again, FSBDC can help with these calculations.

Current Assets

Sell those unneeded assets. Typically, current assets such as equipment may be converted into cash within one year. Just make sure it is not collateral for a loan. Do examine the option of leasing equipment instead of capital expenditures.

Intangible Assets

Do you have non-producing or obsolete licenses, patents or intellectual property you can sell off?

Liabilities

Try to negotiate better terms with better cash flow potential from your debt holders. There's nothing wrong with asking.

Equity

Should you bring in new owners with the much needed capital? You must carefully consider this option since it will have repercussions well past your cash crunch. As this is an important decision, discuss any changes you plan to make with your CPA, your Attorney, an FSBDC Business Consultant, or another qualified business advisor.

The Strength of the Balance Sheet

All too often business owners and managers rely solely upon the Income Statement for making important and strategic business decisions. And though it has its time tested merits as a barometer of a company's profits, it does pale in comparison to the balance sheet as a true gauge of a company's overall strength and long-term value.