



B A L A N C E

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Planning is **Good Business**

Whether a business be large or small, forward planning and preparing cash flow projections form an integral part of sound business practices. It doesn't matter if the information is elaborate or in a basic format. However, it is important for a business to continually assess actual results against projections and then adjust the business plan accordingly.

As far back as August this year, many businesses have been reassessing their position in relation to an Australian economy, which some feel will lean towards slower growth later this year. By continually monitoring trends both within its own industry and on a broader scale, a business should be

able to reassess its plans in an endeavour to minimise an adverse effect on its cash flow or profits.

"Above all, businesses must look closely at cash flow requirements"

Alternatively, slower periods of general economic growth can lead to increased sales for some businesses, which can again place strain on cash flow as a business endeavours to take advantage of new opportunities.

Irrespective of whether economic growth is fast, slow or even declining, a business should plan and continually reassess itself in order to take full advantage of the current economic

climate. To be merely reactive to the situation can place enormous strain on the long term viability of a business.

Businesses must also closely monitor other areas such as stock turn and cash flow requirements. Careful planning around forward orders and existing contracts can reduce the incidence of carrying too much stock, thus preserving valuable cash reserves and minimising the amount payable to creditors.

Above all, businesses must look closely at cash flow requirements. With many businesses now absorbing operating costs in order to remain competitive in regard to pricing, consistent cash flow is critical for a business operating on reduced profit margins and nominal cash reserves.

This is where Cash Resources Australia (CRA) can play a vital role in the ongoing viability of a business. The flexibility of CRA's Confidential Discounting Invoice Facility can assist a business through either a short term cash flow crisis, or a sustained period of growth.

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Privacy and the Private Sector

At Cash Resources Australia Pty Ltd, we are sensitive to any concerns our customers may have with regards to the confidentiality, security and use of their personal information and would like to reassure you of our position. We encourage you to read our privacy statement which details the privacy principles we operate in accordance with. We are strongly committed to

...we are sensitive to ... confidentiality, security and use of personal information

ensuring we meet any legal requirements to protect our customer's privacy. The following is a brief overview of the written changes to privacy legislation prepared by our solicitors.



Introduction

The Privacy Amendment (Private Sector) Act 2000 (Act) regulates how the private sector is to collect, use, disclose, store and allow access to personal information and will come into effect (for most organisations) from 21 December 2001.

The Act introduces 10 National Privacy Principles (NPPs) that establish minimum standards for the private sector in relation to handling an individual's personal information. The NPPs impose controls on the way personal information is collected, used, disclosed and stored in the private sector for business related purposes. A detailed discussion of each of NPP is

beyond the scope of this article, but you can find out more from the Privacy Commissioner's website at www.privacy.gov.au.

Who does the Act apply to?

The Act applies to all private organisations, including companies, partnerships, unincorporated associations, trusts and sole traders. However, the Act also provides for a number of exemptions. The most notable is the small business exemption. A small business for the purposes of the Act is a business with an annual turnover not exceeding \$3,000,000.00. However, some small businesses that handle sensitive information will be required to comply with the Act.

What information is covered?

The Act covers personal information, which in essence means any information or an opinion that can identify a person. Name, address, email address, telephone numbers and drivers' licence number are just a few examples. Special protection is given to sensitive information, which is information about a person's racial or ethnic origin, their political associations or opinions, religious and philosophical beliefs, membership of trade organisations, sexual preferences, criminal history or health information.

What should I do?

You should address the following matters:

- whether and how the Act will apply to your organisation;
- what policies and procedures need to be implemented;
- develop and implement a compliance system, including staff training, procedures to deal with individual requests for information, complaints handling procedures, regular compliance audits, and communicating your organisation's policy on privacy generally.

For further information please contact:

**Raechel Krause, Senior Associate,
Cornwall Stodart
(03) 9608 2225 or via email
r.krause@cornwalls.com.au**

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By purchasing trade invoices at the time of sale, CRA can advance up to 80% of the value of each invoice, thus providing adequate cash flow to enable a business to meet wages, statutory payments and payments to creditors in a timely manner.

In the case of an expanding business, as sales increase, more invoices can be forwarded to CRA enabling the business to meet increasing operating costs and payments to creditors.

Irrespective of the situation of a business, sound planning and regular cash flow make all the difference. CRA can't prepare your business plan, but we can help the plan turn into reality by providing a flexible and efficient cash flow solution.

**Alan Turner
Business Finance Manager, Sydney.**

Dealing with Seasonal Fluctuations

It is an established and accepted fact that Invoice Discounting is the best method of funding for companies who have to cope with violent seasonal fluctuations. And this is most certainly the case for one of Cash Resources clients who import and supply nuts, both in shell and kernal form.

Seasonal Fluctuations

Unfortunately for the team, nuts in shells are mainly purchased at Christmas, despite the growing practice of serving 'nuts and nibbles' with drinks before a meal. All this means that the turnover of the company is concentrated into roughly a four month period when staff levels sky rocket five fold.

Enter Close

Originally the business consisted of a fruit and veg operation, but since the advent of supermarkets in the '50's the nut sales grew to such an extent that they eventually took over the business and the operation was closed down two years ago. At the time the company had an overdraft and an Invoice Discounting arrangement with one of the major banks, but

relationships soured. They wanted to change the funding methods and the company was not interested. Cash Resources Australia was approached and we were happy to provide the funding in the manner requested. And the client has often thanked us for having the flexibility and the faith in us to provide additional funds for the purchase of nuts at a time when prices were most advantageous.

Diversifying

Receiving cash early in the chain of events has helped the company to level out the horrendous peaks and troughs in the business and also assisted in the sizeable investment in packaging equipment. That machinery is assisting diversification and the need to be so reliable on the Christmas period due to the expansion into the confectionary market as well as the subcontract of packaging. "There are so many seasons for the sale of sweets and confectionary there is no difference in demand from one month to the next," it has been observed. "And confectionary does not carry the weather related risks associated with nuts."



Working Close Together

Crops are primarily imported from Brazil, China and America and are all vulnerable to drought and to the economies and financial changes in some of the Third World countries. This company is not about to wait for events to occur: they will continue to diversify, with the aid of funds from their sales invoices through Confidential Invoice Discounting with Cash Resources Australia.

Biography Garry Teychenne

Business Finance Manager, Melbourne

Garry Teychenne is one of Cash Resources Australia's team of experienced Managers, with a broad knowledge of debtor financing and associated financial products. With a background of law and accounting he has many years experience in consumer finance, large value property and corporate finance transactions and has been involved in factoring since the early 1970's. He has held executive positions in several leading debtor financing companies and has experienced the development of debtor

financing to its current position as one of today's significant business financial tools. He is instrumental in not only initiating the provisions of Cash Resources facilities but also restructuring client's financial needs across a spectrum of property, current and fixed asset facilities, to provide a client with a balanced financial package. His early career was in the Merchant Navy and he is known among his friends as a bit of a "nautical nut". When not getting his feet wet in old boats, he also dabbles in amateur



theatre in designing and building sets, with a never ending interest of building a holiday home on an island in the Gippsland Lakes.

Take a **proactive approach**

to collecting outstanding invoices



Most small business owners will at some point find themselves in the position of having to extend credit to customers. Most customers will pay on time and you will probably never get into the credit management process with them. However, a percentage of your customers won't.

When a customer puts off paying your account for 120 days, you are making a four month interest free loan you can ill afford. Even worse, it becomes an outright grant if you, the vendor, aren't able to collect at all. When customers are squeezing extra weeks and months out of payables, developing an efficient and effective debt collection system is of utmost importance. This is particularly true during economically slow times when even the steadiest and most reliable customers may be experiencing cash flow problems. This is where credit management and debt collection skills will come into play.

Following are some tips to help you manage slow paying customers and collect debts:

- Prevent collectables from becoming overdue.
- Review your customer accounts each month to quickly identify those that are occasionally, or even chronically late.
- When you notice that an account is overdue, make sure the company was billed, the goods went out, and no problems arose when the order arrived.
- Send out invoices the day shipment is made or the services are completed. Many businesses unwittingly create their own cash flow problems by not mailing invoices for a week or two.
- Mail invoices to specific individuals rather than to companies. Poorly targeted bills can get caught in a mailroom shuffle before reaching the right desk.
- Track receivables from the first day invoices go out. Businesses with a large number of clients should be using automated software for their invoice and accounts tracking. If you have only a few clients, track them on a 30, 60, 90 day basis or on a control sheet.
- Shorten the preliminary credit period from 30 days to 15 days or less. While a 30 day term may be common, it's certainly not mandated. Find out if any of your competitors have reduced their terms to 15 days or C.O.D., or if your prices, delivery dates or some other aspect of your service would make shorter terms acceptable to your customers.
- Most customers assume they have 30 days before they need to put a cheque in the mail, which means as many as 45 days may elapse by the time you receive it.
- When work is to be customised, ask for a deposit and explain that the balance is C.O.D., or set up terms with half due upon delivery and half 30 days later.
- Avoid falling into the trap of feeling that your customers are friends that can expect unlimited credit. Even if you socialise after hours, in the business relationship your obligation is to provide a quality service or product, and their obligation is to be sure to pay you on time.
- 45 days after the invoice date, call and find out why the account hasn't been paid. Use a "customer service" approach; "As your cheque hasn't arrived, I wanted to make sure nothing was wrong with the order." This accomplishes several things. You'll find out if orders weren't correct, remind customers that accounts are overdue, and let them know you watch receivables very closely.

Melbourne
Level 2, 658 Church Street
Richmond VIC 3121
T (03) 9426 7777
F (03) 9426 7788

Sydney
Level 1, 50 King Street
Sydney NSW 2000
T (07) 9299 8477
F (02) 9299 8661

Brisbane
123 Logan Road
Buranda QLD 4102
T (07) 3391 8788
F (07) 3391 8260

Adelaide
Suite 14, Level 1
132 O'Connell Street
North Adelaide SA 5006
T (08) 8239 0555
F (08) 8267 3538

Perth
Suite 4
11 Richardson Street
South Perth WA 6151
T (08) 9474 1677
F (08) 9474 1119

www.cashresources.com.au



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