

Financial training For non financial staff



The financial training specialists

Getting the car serviced (cashflow)

I had my car serviced recently. The local garage did an excellent job, as always, and then I waited for the bill to come. And waited, and waited.

Three weeks later the bill came. When I paid it we joked about paperwork building up. Sending out the bills means getting the workshop timesheets in, costing the parts used, preparing the invoices – it all takes time...

So what? Things do take time, and it's just part of business, isn't it?

Yes, but what's the impact on the business?

If company sales are £12 million a year (Harvey wishes this was the sales of his garage!), this is £1m a month, £¼m a week. If it takes 3 weeks to get the invoices out that particular pile of paperwork represents £¾m of cash that isn't in the bank. It's sitting on someone's desk.

Meanwhile this mythical company has an overdraft of, say, £1m, and is paying interest on this. If it invoiced more promptly it could almost wipe out the overdraft.

How does this apply to you? In your business what's the delay between doing the work or despatching the goods, and sending out the invoice? Even if it is only days, this means the overdraft is higher than it need be.

What are your annual sales? How much is this per month? Per week? Per day? Now work out the cash impact of the delay in invoicing. How can the company reduce this delay? Where do you come in?