

Warning signs for your business

Overview

Warning signs

It's important to work pro-actively to manage your business during difficult times.

If you recognise that your business is struggling with any of the issues below or think your business may be in danger of becoming insolvent, then don't delay in taking action.

A business may be trading insolvent when it can't pay its debts when they become due, when it owes more than it owns, or its assets are exceeded by its liabilities.

Creditors

Below are some of the signs that your business may be heading for trouble.

- You frequently don't have enough cash to pay your creditors on time
- You don't know what your total creditors are
- You are short of stock because you can't pay your creditors on time
- Your creditors refuse to extend or change your existing credit terms
- You are starting to get letters warning of legal action

Debtors

- Debtors are not paying their bills on time
- You don't know what your total debtors are
- You don't have a dedicated debt collection function
- You only invoice your debtors periodically

Customers

- Sales are down substantially
- You're struggling to attract new customers
- You're struggling to retain existing customers
- Product reviews are poor
- You like your product more than your customer does

6 ways to improve your cash flow

Cash is the lifeblood of your company. Monitoring your cash flow is your first duty as a business owner and director. Too many business owners don't pay enough attention to it.

Start by:

1. Preparing weekly cash flows so you know exactly what has to be paid and when
2. Setting aside time each week to update and review your financial records
3. Identifying cash flow problems before they happen then be prepared to take action to rectify this.
4. Talking to your bank about putting a temporary loan or overdraft in place
5. Having a strict procedure in place for collecting any outstanding debts from your customers and don't deviate from this.
6. Selling off old or excess stock to generate cash

Don't bury your head in the sand or ignore warning signs if you think your business is in trouble.

Relevant Links

 [Free Business Health Check](#)

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