**AS Business Studies: Improving Cash Flow**

**Increasing Cash Inflows:**

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| **Method** | **How it Works** | **Possible Drawbacks** |
| ***Overdraft*** | Arranging a flexible loan on which the business can draw as necessary up to an agreed limit. |  |
| ***Short Term Loan*** | Fixed amount borrowed for an agreed amount of time. |  |
| ***Sale of Assets*** | Cash receipts from selling off redundant assets will boost cash inflow. |  |
| ***Sale and Leaseback*** | Selling an asset but continuing to use the asset. An annual leasing charge is paid to the new owner. |  |
| ***Reduce Credit Terms to Customers*** | Cash flow will be brought forward by reducing credit terms from say to months to one. |  |
| ***Debt Factoring*** | Debt factoring companies buy the customer bills from a business and offer immediate cash. This reduces the risk of bad debts too. |  |

**Reducing Cash Outflows:**

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| **Method** | **How it Works** | **Possible Drawbacks** |
| ***Delay payment to suppliers*** | Cash outflows will fall in short term if bills are paid, after, say three months instead of two. |  |
| ***Delay spending on capital equipment*** | By not buying equipment, vehicles, etc. cash will not have to be paid to suppliers. |  |
| ***Use leasing not outright purchase of capital equipment*** | The leasing company owns the asset and no large cash outlay is required. |  |
| ***Cut overhead spending that does not directly affect output, e.g. advertising costs*** | These costs will not reduce production capacity and cash payments will be reduced. |  |