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How to manage your company's liquidity

By Tom Anderson, March 8, 2011

Businesses are becoming more optimistic about the future, and financing terms are slowly improving. But companies still need to keep enough cash on hand to make sure they don't get squeezed by a credit crunch.

"Liquidity is a challenge," says Brian Hamilton, the co-founder and CEO of [Sageworks](#), a financial-information company that uses artificial intelligence technology to convert financial numbers into plain language. Hamilton gives four tips on how to manage cash flow in uncertain times:

- Monitor the effect that tax payments may have on cash. Keep enough money aside to be able to meet future tax obligations based on earnings.
- Set longer terms for accounts payable when possible and allowable by the vendor. For example, increase a 30-day payment window to 60 days.
- Check invoicing procedures to help ensure correctness. Nothing will delay payment from a customer more than sending out an incorrect bill.
- Keep an accurate accounts payable schedule on a week-by-week basis. This can help a business know which payments need to be made each week and avoid late charges or double billings.

For the full article featuring Sageworks' private company data, visit SmartBlog on Finance- [How to manage your company's liquidity](#)