



› Driving the economic development of Queensland ‹

Control liquidity

Liquidity is of vital importance to every business. While the business may be profitable, it can nevertheless fail simply because it cannot find the ready cash to pay its bills when they are due. Managing liquidity involves:

- Knowing where your cash is coming from.
- Knowing where your cash is being spent.
- Ensuring that your cash is properly accounted for and safeguarded.
- Estimating what your future cash requirements will be.
- Planning to have your cash ready when you need it.

Some of the strategies that should be considered to ensure that the position of the business is liquid include:

- Making sure that you don't hold stock levels that are higher than necessary.
- Not over committing as far as loans are concerned, because their servicing can affect your cash situation greatly.
- Making sure that you plan well ahead of any capital expenditure because that is an outlay that will not bring in a quick return cash-wise.
- Always carrying a cash reserve under which you will not make any more payments until the liquidity situation is improved. This applies mainly to your working capital requirements.
- Making sure that your collection of debtors is monitored closely because money owing to the business that is not collected when due, can severely affect the liquid position.
- Putting some payments on hold until liquidity improves.

Further information

The following fact sheets provide further information on these issues:

- Accounting records you should keep
- Business records you should keep
- Reduce your exposure to losses
- The importance of record keeping