



## Cash Management the Key as Economy Mounts Slow Recovery

At MTK Accounting Services we are starting to see signs that the economy is becoming stronger. There is always a lag between stock market performance and business confidence. Business continued to boom in the wake of the 2007 crash and started to struggle after the market stabilized. History tells us that the market will start its next bull run before most businesses start to press the go button again. Those who will thrive in the next decade are preparing NOW by engaging in wise cash management strategies.

As you would expect, this is an area in which we work frequently with our clients and have strong expertise. We are regularly approached by clients requesting cash flow forecasts. Our philosophy in tackling such approaches is not to whip up a spreadsheet and send them a bill; rather, we work with the client to determine the reasons WHY the forecast is required then put in place appropriate strategies to address cause, rather than effect.

Let me give you an example. One of our manufacturing clients was finding cash flow to be extremely tight. Together with the client, we implemented five key strategies that turned around the issue:

1. We worked with the client's bank manager to negotiate an overdraft facility
2. After looking at the rent to turnover ratio and comparing it to industry benchmarks, we established that the proportion was too high. With our guidance, the client approached their landlord and re-negotiated a more favourable lease term which included downsizing the factory space
3. After reviewing the wage to turnover ratio and undertaking strategic decisions with the business owner, we determined that it was necessary to let a number of staff go. As staff costs were the biggest cost in this business we felt it was critical that this difficult decision be made for the future viability of the business. This is a very important way in which we help our clients; because we are not on the payroll, we can provide an external perspective and do not hesitate in telling our clients what they NEED to know, rather than what we think they want to hear
4. We provided scripting for the client to go back to its creditors and establish longer trading terms
5. Finally, we trained the client on the best practice system to collect debtors, implementing a regimented monthly process (including mailing out monthly statements and follow up calls). This has seen debtors days outstanding go from 90 days to an average of 45 days

Of course, all cases are different. In the example above, our client needed some tough love to put the business back on track. With other clients, we find even more leverage by building on strengths. Oftentimes we find our clients simply need a little tweak or a minor change of direction to propel them to even greater heights. Here is an example of a new client we took on. The client is a retail store. As you will see, this started as a debt restructure and then grew a life of its own as we stayed true to our goal of always being focused on improving our client's condition:

1. Firstly, we worked with the client's bank to help restructure some of their lending and business debt consolidation. This reduced their monthly loan repayments
2. Once again, we reviewed the wage to turnover ratio against industry benchmarks but this time we convinced the client to put on a number of new staff as the business was lacking good sales people. The key was to get the right staff that would get the desired results. This has eventuated. With our guidance, the client's turnover has increased by 30 per cent on the prior year and more importantly the business made a net profit for the first time ever (it had traded for three years before at losses)
3. We worked with the client to go back to its creditors and establish longer trading terms



4. We helped the client implement a project to review gross profit margins on the products it was selling and it was found that some products were producing no gross profit and in some cases gross losses. These products have since been dropped which has automatically increased the gross profit margin
5. We undertook a review of expenses, focused on determining that the client was achieving the very best return on investment for all expenses. We found that they were spending thousands of dollars on advertising – but in the wrong areas. We tested a new, more basic direct approach through walking the floors and distributing flyers to bring traffic into the store which, in turn, turned into increased sales

Now is the time to review your cash management policies and bring them into line with your business strategy. Invest wisely in sound, practical advice now to put yourself on a sound footing for the future.

## What our clients say...

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*We have been clients of Michael Kuster for many years and were recently offered the option to become a Premium Business Client. This service provides us with a closer relationship with Michael and his team and, in these uncertain economic times, we are finding the information and monitoring provided to be an invaluable business tool. With the preparation of a full cash flow forecast plus quarterly KPI's for our business and regular monthly joint monitoring with Michael and the team of our financials, we are better able to analyse and track how our business is going. This allows us to make necessary adjustments on a regular basis to better forecast the cash flow of the business and ensures we monitor all aspects of the business closely.*

*Kevin Mailer, Managing Director, Mailer Holdings Pty Ltd*

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*After experiencing a very difficult and stressful time we have appreciated MTK's care and understanding since taking over from our previous accountant, making the transition as smooth as possible. Now, as one of MTK's Premium Business Clients, it gives us much peace of mind to know we can touch base regularly by phone or via an appointment. This gives us the opportunity to discuss any concerns we may have and also to be constantly updated on current taxation and financial issues. The new system of bookkeeping advised, set up and guided us through has been extremely beneficial and more importantly simplified this necessary process thus making it so much less of a chore! We look forward to a continued successful relationship with MTK handling all our taxation and financial affairs with such professionalism and expertise.*

*Ulli & Doris Lindeman, Directors, UDL Developments*

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*Michael Kuster and the team at MTK Accounting Services have been our Accountants, Advisors and business confidantes over the past 12 years. Working closely with them we have found their sound advice, financial scrutiny and customer service to be second to none. They are very approachable any time of the day whether to obtain advice or just to clarify taxation queries. We have found them very knowledgeable and always up to date. Their manner is always professional and courteous and never have we been made to feel disparaged or harried by their responses. I am very happy to have Michael Kuster and the team working with us, and look forward to many more years of this working partnership.*

*Ross Kanaley, Managing Director, DataCab Electronics Pty Ltd*

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*Starting our own business was a very daunting task for us, with all the paperwork that needed to be organised, we just didn't know where to start. A good friend suggested that we contact Michael Kuster as he was her Accountant and she was very happy with the work he did for her. When meeting Michael for the first time, he made us feel very at ease and answered all of our many questions. It really was too easy; Michael organised everything for us and we basically just had to get the business on a roll and everything else was taken care of. During the time that we have been with Michael and his team, we have been taught a lot and have really grown as a business. Everything is always very well organised and when something needs to happen, Michael is very quick to get on to it and sort these things out for us. We have definitely improved our paperwork side of things and are more aware of what our responsibilities are with regards to tax and all money related issues. I would definitely recommend MTK Accounting Services to anyone looking for an Accountancy Firm that just doesn't look after your accounts; they look after you as a person and as a business.*

*Scott and Leah Procter*

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*In 2008 we sought the services of a new accountancy firm. From the very first meeting with Michael Kuster, we were assured that he could help us to rectify the damage and problems caused by our old accountant. We now meet with Michael Kuster several times a year to ensure we have the best possible tax plan in place. Michael Kuster is very approachable and answers all my queries both quickly and professionally. He has become a valuable asset to our business.*

*Geoff and Jenny Ferris, Tractor Replacements NSW P/L*

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*I have been so impressed with the personal expertise and guidance of Michael Kuster, director of MTK Accounting Services. They have always been there for me and have been helping me build my wealth steadily and confidently. I now do not make a move in wealth creation or important investments without firstly consulting MTK Accounting Services. I highly recommend MTK Accounting Services for all you financial needs.*

*Dr Napoleon Reppas*

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*As I was not happy with our accountant I did the phone around to several accountants one of whom was MTK Accounting and with a warm, friendly and professional manner I was interested in setting up a meeting with Michael. In just 15 minutes of our meeting Michael saved me over \$1,500 in income tax. Michael and his staff are a friendly, professional and efficient team, and I am looking forward to the future with MTK Accounting.*

*R. Duncan, Duncan-Curran Family Trust*

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*© Michael Kuster, MTK Accounting Services Pty Ltd. We are conveniently located in the heart of Penrith and welcome the opportunity to talk with you about your business. Phone us on 02 4731 5811 to schedule a meeting. Bring this article and our first get together will be FREE. It's our way of saying thank you for making the time.*