

Effectively Managing Your Working Capital

Contributed by Webmaster

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Running a business isn't just about opening a shop or a company. In order to succeed, a business owner has to stay consistent in managing the company particularly when it comes to the working capital management. Poor financing or financial mismanagement can cause a business to shut down without warning. In this article, let's talk about how you can manage your working capital efficiently:

Extending Payment Terms to Customers

Entrepreneurs usually give their customers 30 days to send in their payments after the orders have been delivered. During the 30-day period, the entrepreneur must wait and make do with what's left of the funds. However, for those with a limited budget, problems may arise because of insufficient cash flow.

For instance, new customer orders may have to be refused due to the lack of funding. The business has to wait for 30 days before money comes in and customer orders can once again be accepted. Obviously, this kind of set gets in the way of business. Instead of maximizing your business's potential to profit, the lack of cash flow can hinder your company's growth.

How can you deal with this kind of situation? The good news is, there is a way to maintain a stable cash flow and still extend your customers payment period. How? Through Invoice Factoring or Accounts Receivables Financing. If you're not familiar with the business financing option, you should explore the possibilities you can enjoy using this financing method.

Turn Your Unpaid Invoices Into Working Capital

Let's say that your current unpaid invoices are now at \$5,000. How can you turn those invoices into cash without having to wait for 30 for your customers payment? By factoring your accounts receivables, you can get the cash advance you need without the 30-day waiting period. How does it work?

Your Factoring Company would provide you with the cash you need. Most factoring companies offer 80% cash advance from the total amount of your invoices. By submitting your invoices or accounts receivables to your factoring company, you can obtain the necessary funds and use it for your immediate expenses.

Afterwards, your factoring company would take over the collection of payments from your customer. As soon as your client has completed his payment, you can receive the remaining balance from the invoices you've submitted.

This option is available for all types of businesses who have been in the industry for at least 2 years. Compared to other financing options, accounts receivables factoring is more convenient and easier to obtain. More importantly, it enables the business to utilize its existing funds without the long waiting period.

Irish Taylor is a business loan consultant with SBA Loans for Startup Business and has been providing consumers and business owners with startup business financing since 1992. For years she has helped people with credit and loan problems especially pertaining to business start up, SBA Loans and Unsecured Loans. Copyright 2008

