

the christmas famine or feast



matt richards
from accounting north

For many businesses, the Christmas and New Year holiday season and the lead up to it can either mean (i) a slowdown with a lean or non-existent trading period, or (ii) a period of strong trading with high overheads.

It is important for all to remember that traditionally the New Year brings its own challenges for cash flow management. Here are some of the key issues to think about:

- BUSINESS IN A SLOW TRADE PERIOD
- BUSINESS WITH A PERIOD OF STRONG TRADE
- ALL BUSINESSES

STAFF MANAGEMENT

- If viable, encourage staff to take holidays (so they are available during peak periods.)
- Ensure your staff rosters are adequate for anticipated trading levels.
- Staffing is a major cost for many businesses (around 70 per cent of expenditure.)

STOCK MANAGEMENT

- Drive down stock in the lead up to Christmas and only order the bare minimum to meet your requirements over the holiday season.

- Keep your cash as liquid as possible and don't tie it up unnecessarily in stock.
- But don't forget to plan for your New Year requirements to ensure that your suppliers have the stock you need available when you need it in the New Year.

DON'T BELIEVE YOUR LEAD INDICATORS

- The cash in your bank account is often deceptive for many businesses.
- You still need to fund the New Year period with limited sales, staffing and potentially a blow out in debtors as your customer base feel the post Christmas cash flow crunch.
- Remember that February is usually the worst cash flow month of the year.
- Be prepared by doing a budget to ensure you can meet your cash flow commitments

...YOU NEED TO LOOK FOR BROADER MARKETING STRATEGIES TO KEEP YOUR CUSTOMERS COMING THROUGH THE DOOR AND THE CASH FLOWING.

DON'T FORGET ABOUT YOUR GST

- Make sure you put aside the December BAS payment (due February 2008.)
- It is too easy to get caught out by the expectation that you will make the payment from sales achieved in the New Year.
- Note also that the March BAS payment is due 2 months later in April 2008.

TO OPEN OR NOT TO OPEN?

- Take a look at your trading figures over the holiday period for the last few years. Re-consider the benefits of staying open for the convenience of only a few customers.
- Even if you are the one who is personally making sure you are open for business, don't devalue your time.

DISCOUNTING

- As cash flow tightens, discounting is often used to bring forward sales revenue. Come Boxing Day, it is hard to find a shop window without a 'sale' sign in it. For most businesses, it is important not to be competing on price alone, so you need to look for broader marketing strategies to keep your customers coming through the door and the cash flowing. Businesses that compete on price alone can look good in the short term but you really need to know what the impact is on your profits and whether you can sustain it. **B**



Preparing for Christmas on the Coast?

- ▲ Cash flow management
- ▲ Staff management
- ▲ Stock management

To business owners on the Coast wanting to know how to approach this festive season, call one our Client Managers today!

5443 4988

Level 1, 59 The Esplanade, Maroochydore
enquiries@accountingnorth.com.au
www.accountingnorth.com.au



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