

## 7 Ways to Improve Liquidity

November 30, 2007

Pam Newman

Content provided by Entrepreneur.com

Liquidity is your company's ability to pay the bills as they come due. We've all heard the saying "Cash is king," so here are seven quick and easy ways to improve your company's liquidity.

1. **Sweep accounts:** Use sweep accounts through your financial institution. This will allow you to earn interest on any excess cash balances by "sweeping" or transferring the funds into an interest-bearing account when the funds aren't needed and sweeping them back to your operating account when you do need them.
2. **Overhead:** Assess your overhead costs and see if there are opportunities to decrease them. Lowering overhead has a direct impact on profitability. Overhead expenses, including rent, advertising, indirect labor and professional fees, are indirect expenses that you incur to operate the business outside of direct material and direct labor.
3. **Unproductive assets:** If you have unproductive assets that the business is just storing, then it's time to get rid of them. The only reason you should spend money on assets such as buildings, equipment and vehicles is to generate revenue.
4. **Accounts receivable:** Monitor accounts receivables effectively to ensure that you're billing your clients properly and that you're receiving prompt payments.
5. **Accounts payable:** Negotiate longer payment terms with your vendors whenever possible to keep your money longer.
6. **Owner's draws:** Monitor the amount of money that's being taken out of the business for non-business purposes such as owner's draws. Taking too much money out can put an unnecessary cash drain on the business.
7. **Profitability:** Review the profitability on your various products and services. Assess where prices can be increased on a regular basis to maintain or increase profitability. As your costs increase and markets change, prices may need to be adjusted as well.

Implement these seven easy tips in your business to improve your liquidity. It will help ensure you have the proper cash flow levels for continued operations and company growth. There are two main financial ratios used to measure a company's liquidity ratio.

1. **Current ratio** equals current assets divided by current liabilities. This should have a target ratio of 2 to 3, which indicates you have adequate liquid funds to pay your current obligations.
2. **Quick ratio** equals current assets (less inventory) divided by current liabilities. This should have a target ratio of 1 to 2, which indicates your liquid funds without selling your inventory.

You can find the balances of your current assets and current liabilities on your balance sheet. Visit with your accountant if you need further guidance and analysis. Looking at industry information also can help you assess how you compare to others in your specific industry.

*Pam Newman is Entrepreneur.com's ["Financial Management" columnist](#) a Certified Management Accountant, author and Certified QuickBooks ProAdvisor for Financial and Point-of-Sale software. For more information, visit [www.rppc.net](http://www.rppc.net).*

<http://www.entrepreneur.com/money/moneymanagement/financialmanagementcolumnistpamnewman/article187606.html>

---

### **About This Item**

**Category:** Customer Service

**Subcategory:** Imported Documents

---

Content provided by:

**Entrepreneur.com**

For more information on starting, managing, or growing your business, visit [Entrepreneur.com](http://Entrepreneur.com), the leading small business resource on the Web.

---

© 2008 Biz Info Library. All Rights Reserved.

File created on 1/22/2008

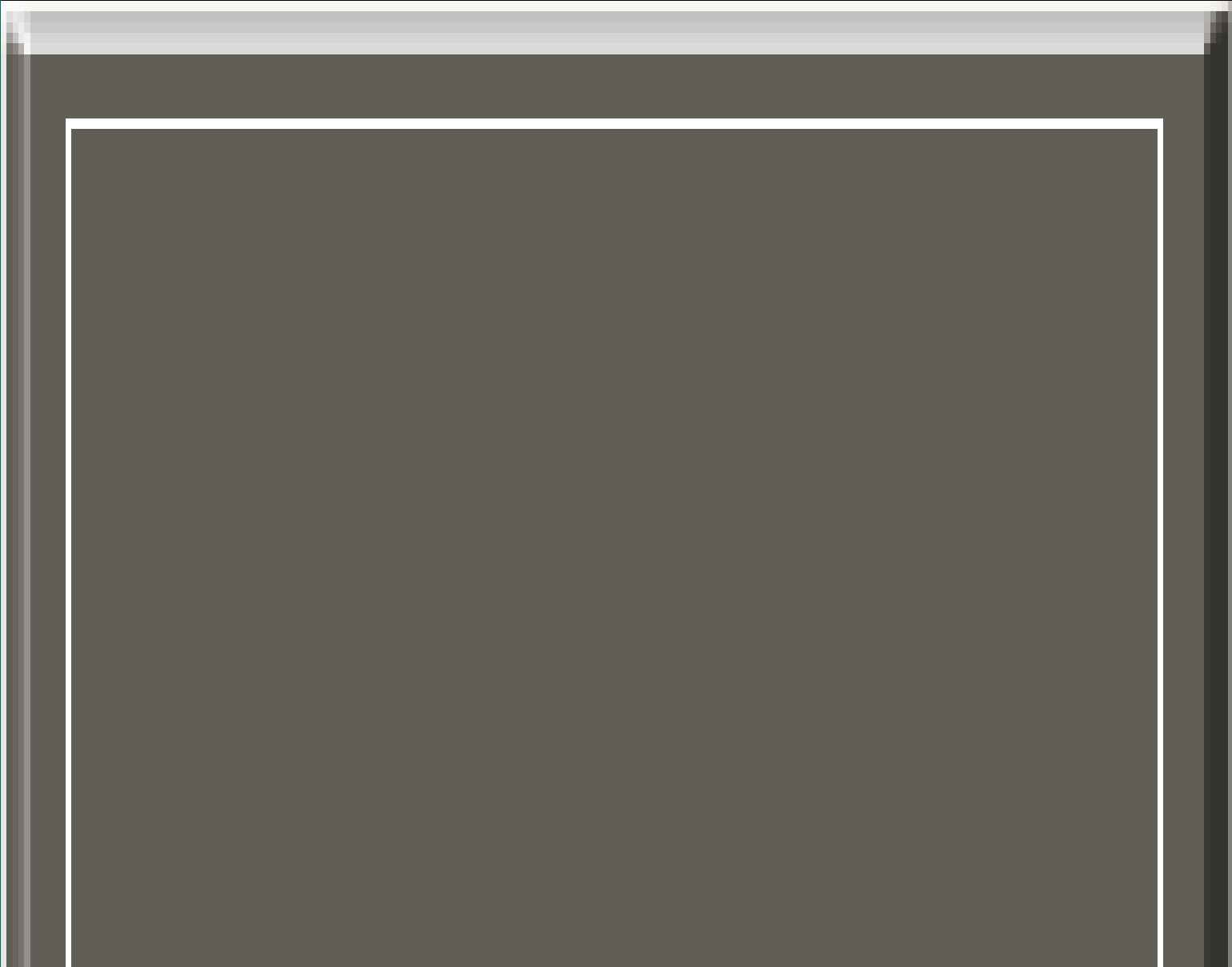
Welcome to Commercial Resources

Copyright ©2007 Commercial Resources and Invesments, L.L.C.



W







## ***About Us***

Commercial Resources is a professional intermediary that provides management advisory services as well as business financing solutions and commercial financing for owner occupied and investment properties. With 20 plus years of business consulting and commercial financing and accounting experience our professional team members are able to assist businesses become more profitable as well as effectively structure loans to meet the client's goals.

Commercial Resources has provided quality service that has made us one of the most respected commercial real estate lending firms in the nation. Our goal to create partnerships with clients has moved us beyond the normal relationship of a business advisor. As an active consultant, we strive to position our clients for success and sustained profitability.

Our loan structures are typically non-recourse and feature long-term fixed interest rates. For flexibility, we offer variable interest rates and interest-only options. It is important to us that our clients loan terms be consistent with their individual goals. Our objective is to clearly understand the loan terms and financing options available and ensure our clients have the necessary information to make an informed decision.

Our experience in advising businesses on financial and operational management as well as our expertise at structuring both debt and equity transactions is invaluable to our clients. Our relationship with decision makers at the top of the organization charts of our funding sources puts us in a preferential position to obtain superior loan terms. Our ability to solve problems, negotiate terms and close loans where our competitors fail sets us apart in the industry.

### ***Our Mission***

As a mortgage brokerage and business advisory firm, we have established and maintain unprecedented standards in the management consulting and commercial real estate lending industry. By following the golden rule and using time honored virtues in all aspects of our business relationships we will continue to serve our clients while adhering to the highest ethical values.

### ***Loan Management***

Commercial Resources combines knowledge, experience, and meticulous attention to detail with a bit of innovation to provide you the total loan management package. As your partner we are involved in the lending process from beginning to end.

Commercial Resources provides lending options with Investment Banks, Life Insurance Companies, Fannie Mae, HUD, Pension Funds and other Portfolio Lenders. By having established relationships with different types of lenders we can structure your loan to meet your business goals.

# Commercial Resources

Our experts are ready to meet with you to provide the expertise and knowledge in all aspects of commercial real estate and business financing.

**To Pre-Qualify for a Loan call**

**(866) 231-5457**

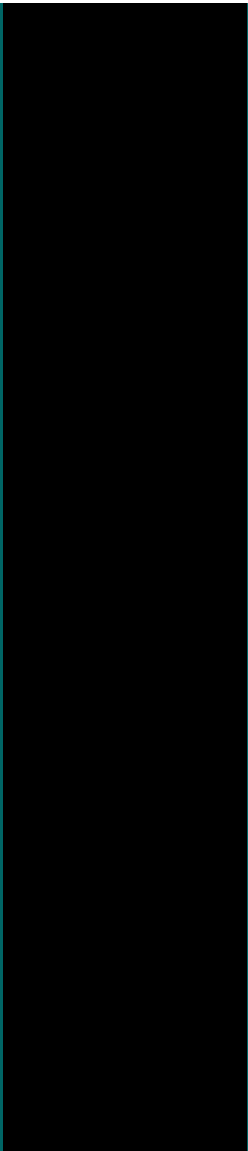
**or**

**email us at:**

**[info@cradvisors.us](mailto:info@cradvisors.us)**

All loans are subject to credit and property approval. Programs, rates, terms and conditions are subject to change without notice. Other restrictions apply. All Rights Reserved. Commercial Resources and Investments, LLC©









Copyright ©2007 Commercial Resources and Invesments, L.L.C.  
**Smart Solutions for Your Financing Needs!**