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# WORKING CAPITAL CHECKLIST



# INTRODUCTION

Effectively managing working capital is crucial for optimised financial performance, ensuring the smooth operation of your organisation. Working capital management encompasses three key areas:

- Order to Cash (O2C)
- Procure to Pay (P2P)
- Forecast to Fulfil (F2F).

This checklist will guide you through your evaluation of these essential elements of working capital management as they pertain to your business, helping you optimise your financial operations and achieve sustainable growth.



# ORDER TO CASH PROCESS

Use the below checklist to assess the current processes in your business. "No" responses may identify an area for improvement.

The process of a client placing an order for goods or services with the business, followed by the provision of the good or service and finally, payment for the good or service. The key is to establish and improve how fast you can go from a customer placing an order to reconciling the cash in your account.



Can be measured through Days Sales Outstanding (DSO) = (Accounts Receivable (AR) / Sales) \* Days in period

Sales, credit and order processing	Y	N
Is it easy and convenient for your clients or customers to place an order with your organisation?		
Does your pricing system meet client expectations?		
Do you have a defined IT roadmap and tools for e-commerce and integration?		
Contract management and invoicing	Y	N
Does your business' contract or invoice template effectively cover the goods or services you are providing?		
Have you established the right time in your processes relative to the time of goods or service delivery to issue your invoices?		
Terms of trade	Y	N
Have you tailored your terms of trade to suit your customer base? For example, 90 days for smaller clients, 45 days for larger ones.		
Dispute management and collection	Y	N
Does your business deliver goods or services to the standard expected to avoid disputes over payment and / or delivery?		
Do you have robust collection policies in place that are based on data that shows where you are collecting your cash from?		
Payment application	Y	N
Does your business have an effective accounting system that applies payments correctly?		
Are you able to easily see when a client has paid your business and who is outstanding?		
Are you able to pull reporting on clients or customers who chronically pay late or fail to pay altogether?		

# PROCURE TO PAY PROCESS

Use the below checklist to assess the current processes in your business. "No" responses may identify an area for improvement.

Ordering goods or services from suppliers, receipt of those goods or services and subsequent payment for those goods or services. Most companies look to improve their working capital through their Procure to Pay process. How long does it take for your company to pay its suppliers?



Can be measured through Days Payables Outstanding (DPO) = (Accounts Payable (AP) / Cost of Goods Sold (CoGs)) \* Days in period

**Purchase order fulfilment** Y N

- Does your organisation have a purchase order system?

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- If no, do you need one?

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- If yes, has it been issued correctly?

**Invoice and receipt processing** Y N

- Has your business implemented an automated matching system?

**Terms of trade** Y N

- Have you established terms of trade with your suppliers?

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- If yes, are the terms appropriate for your cashflow needs?

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- If yes, are they being adhered to?

**Payment processing** Y N

- Has your business implemented the correct tools to streamline the process?

**Cash payments** Y N

- Has your organisation explored invoice financing?

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- Has your organisation explored discounts for upfront payments?



# FORECAST TO FULFIL PROCESS

Use the below checklist to assess the current processes in your business. "No" responses may identify an area for improvement.

Management of inventories to meet demand for goods and services, production management, supply forecasting and planning. Inventory management is not necessarily the domain of finance but can be influential. It's necessary to manage inventory and stock levels to provide customers with what they want while not tying up cash in the process.

Can be measured through Days Inventory Outstanding (DIO) = (Average Inventory / Cost of Sales (CoS)) \* Days in period



<b>Product portfolio and range management</b>	<b>Y</b>	<b>N</b>
Has your business clearly defined what products or services you are selling?		
Have you employed a matrix to rank your goods or services from A Grade (high demand / high yield) to D Grade (low demand / low yield)?		
Are there D Grade goods or services you could eliminate that aren't cost effective to carry?		
<b>Demand forecasting and planning</b>	<b>Y</b>	<b>N</b>
Have you assessed the risk of not carrying certain goods?		
Have you identified the elements of the production line your business can't do without?		
Does your business have a system of recording past sales?		
Does your business conduct an assessment of current market factors that could impact future demand?		
Do you have a planning process for turning your annual forecast into an inventory plan and minimum stock levels?		
<b>Supply and inventory planning</b>	<b>Y</b>	<b>N</b>
Is there existing stock you could liquidate to create capacity and cashflow?		
Do you have a process in place for assessing vendor performance?		
Do you have a process in place for sourcing new vendors or stock?		
<b>Production planning and scheduling</b>	<b>Y</b>	<b>N</b>
Has your business done an assessment of its production location and operation?		
If yes, is your current facility the most efficient and economical?		

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Our advice is based on a deep understanding of all stages of business growth and is underpinned by a wealth of knowledge and experience in a wide range of industry sectors.

If the checklist identifies areas for improvement in your business processes, our team can help. Get in touch with a member of our experienced Business Services team.

## KEY CONTACTS



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