

For Immediate Release

Cash Flow Tips for Independent Pharmacies

Good cash flow management is essential even for a stable business such as an independent pharmacy. Businesses can fail not because they are unprofitable but rather due to lack of cash.

“Cash flow comprises of two elements,” explains Abdul Hafeez, partner at RA Accountants. “Firstly, there are the cash inflows which are generated from, for example, NHS revenue, OTC sales and any new funding. Secondly, there are the cash outflows, which include expenditure items such as salaries, stock, overheads and capital expenditure. Other outflows include tax payments, interest, repayment of loans and any dividends if you are structured as a limited liability company.”

“A rolling monthly forecast, covering the next twelve is essential,” advises Abdul.

“Knowing precisely your cash situation can save you headaches further down the line”

“Monitor your commitments carefully. Know when you have to make large payments – and generally, unless there is a good reason, don’t pay your commitments early. Make sure you pay your PAYE and NIC on time and don’t incur late payment penalties unnecessarily. The new penalty regime is not only strict but missing a deadline can

trigger heavy financial fines. If for some reason, you are unable to make a payment on time, do discuss this with HMRC. You will have to pay interest on the outstanding amount, but will not incur the penalty.”

“Stock control is another area to review, as poor stock turnaround can tie up significant amounts of cash. If your stock turnover is more than 4-6 weeks, there could be room for improvement.”

“Finally, I always advise my clients to look carefully at their costs” continues Abdul. “In what areas could you save money – salaries, utilities and other overheads? Remember, where possible to negotiate on your fixed costs, such as your premises. Savings in these areas can have a significant impact on cash flow and your bottom line”

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