

Small Business Still Playing Catch Up With Finance



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A recent Business Link in London poll found that many small and medium-sized businesses (SMEs) in London do not have clear processes in place to manage their financial health. Smaller SMEs in particular are putting themselves at risk by failing to adopt adequate financial management systems. Business Link in London is launching an online checklist to help businesses get their financial house in order.

The recent poll of 350 London businesses found that nearly a third of the respondents do not have effective cash flow management and 45% do not have efficient systems to chase unpaid invoices. Nearly half of the businesses polled (46%) are unaware of what their break-even point is – the point at which their business starts to make a profit. 49% told us they do not know their gross profit margin – a key indicator of business performance.

Matthew Perkins, Business Link in London Senior Business Adviser says:

“Sound financial management should be the bread and butter of every business, especially during these tough economic times. As we head into the recovery period, understanding where your money is, following up your unpaid debts and knowing what your profit is, are vital to keep your business in the black and head for growth.”

The poll results also show that smaller businesses – employing up to ten people – are less prepared than medium-sized businesses. 72% of the larger SMEs questioned have a structured process in place for retrieving unpaid invoices, compared to less than 50% of smaller businesses. They are also slightly less likely than their larger counterparts to use an accountant for their end-of-year accounts (75% vs. 78%)

Mr Perkins adds: "Smaller SMEs are at risk of being left behind. Without an accountant to prepare their end-of-year accounts, they face the possibility of filing incorrect accounts and paying incorrect taxes, affecting the overall health of their business.

However, end-of-year accounts are retrospective which is why it is important that you keep on top of your own finances on a regular basis."

The London Development Agency's Director of Business, Jobs and International Promotion Audrey Slade says: "We are giving the capital's small and medium sized businesses access to the support and advice they need to assess their financial effectiveness. In addition to the toolkit available through Business Link in London, we are extending our series of free seminars that offer expert advice on issues such as managing cash flow and forecasting. These are run in partnership with high profile partners and help SMEs reach their potential even in the challenging economic climate. The first of these seminars will be held on Tuesday, the 26th of January."

In addition to the checklist that Business Link in London is launching today, there is a range of tools and guides on the website www.businesslink.gov.uk/london to help.

Businesses are also urged to contact one of the expert Business Advisers who can conduct a thorough business health check and seek [business advice](#) They can easily assess ways in which businesses can live within their means and still thrive.

These tools and services as well as the online checklist are invaluable if SMEs are to take the success of their business into their own hands, and not get left behind in 2010.

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