

# Lanop Business & Tax Advisors

## Cash Flow Health Checklist

For UK SMEs | Virtual Finance Director Series

Business: \_\_\_\_\_ Period: \_\_\_\_\_ Reviewed by: \_\_\_\_\_

### How to Use This Checklist

- Review monthly alongside your management accounts
- Tick each item and note your actual figure vs the healthy target
- Any item scoring Red requires immediate action
- Share results with your accountant or Fractional CFO at every review meeting

### Section 1: Key Liquidity Metrics

| Metric / Check                        | Done ✓                   | Healthy Target                 | Action if Below Target                      |
|---------------------------------------|--------------------------|--------------------------------|---|
| <b>LIQUIDITY RATIOS</b>               |                          |                                |   |
| Debtor Days                           | <input type="checkbox"/> | < 30 days                      | Chase overdue invoices immediately          |
| Quick Ratio (Acid Test)               | <input type="checkbox"/> | > 1.2                          | Review current liabilities vs liquid assets |
| Cash Buffer                           | <input type="checkbox"/> | 2-3 months fixed costs         | Open dedicated reserve account              |
| Burn Rate Coverage                    | <input type="checkbox"/> | > 6 months runway              | Reduce overheads or seek financing          |
| Cash Conversion Cycle (CCC)           | <input type="checkbox"/> | Shortening trend               | Negotiate better supplier/debtor terms      |
| <b>CASH INFLOWS</b>                   |                          |                                |   |
| Invoices issued same day as work done | <input type="checkbox"/> | 100% same-day                  | Set up automated invoicing                  |
| Automated payment reminders active    | <input type="checkbox"/> | 7 days before + on + after due | Enable in Xero / QuickBooks                 |
| Deposits collected on large contracts | <input type="checkbox"/> | > 30% upfront                  | Update contract terms                       |
| Overdue debtor ledger reviewed        | <input type="checkbox"/> | Weekly review                  | Assign clear ownership for chasing          |
| <b>CASH OUTFLOWS</b>                  |                          |                                |   |
| Supplier payment terms negotiated     | <input type="checkbox"/> | 30-60 days terms               | Renegotiate with key suppliers              |
| Unused subscriptions audited          | <input type="checkbox"/> | Zero idle spend                | Cancel all non-essential recurring costs    |

|  |                          |                                     |   |
|--|--------------------------|-------------------------------------|---|
| Payment runs aligned with receipts                         | <input type="checkbox"/> | Outflows match inflow cycles        | Remodel payment run schedule              |
| Overhead review completed                                  | <input type="checkbox"/> | Quarterly minimum                   | Line-by-line P&L cost review              |
| <b>TAX &amp; HMRC</b>                                      |                          |                                     |   |
| VAT reserve ring-fenced monthly                            | <input type="checkbox"/> | 100% of net VAT set aside           | Open separate HMRC reserve account        |
| Corporation Tax provisioned monthly                        | <input type="checkbox"/> | 1/12 of annual liability            | Calculate estimate; set monthly transfer  |
| PAYE / NI up to date                                       | <input type="checkbox"/> | Zero arrears                        | Contact HMRC before deadline if at risk   |
| Director Loan Account (DLA) reviewed                       | <input type="checkbox"/> | Cleared within 9 months of year-end | Repay or restructure to avoid S455 charge |
| MTD-compatible software in use                             | <input type="checkbox"/> | Live from April 2026                | Upgrade to Xero / QuickBooks MTD-ready    |
| <b>FORECASTING &amp; PLANNING</b>                          |                          |                                     |   |
| Rolling 12-month forecast in place                         | <input type="checkbox"/> | Updated monthly                     | Build with CFO or accountant              |
| Forecast separates operating / investing / financing flows | <input type="checkbox"/> | IAS 7 aligned                       | Restructure forecast model                |
| 3-scenario model (base / downside / recovery)              | <input type="checkbox"/> | Reviewed quarterly                  | Build with Fractional CFO                 |
| Sensitivity analysis run on key variables                  | <input type="checkbox"/> | Quarterly minimum                   | Test debtor days +15, revenue -20%        |
| Growth plan stress-tested against cash runway              | <input type="checkbox"/> | Go/No-Go threshold defined          | Define minimum runway before committing   |

## Section 2: Quick Scoring Summary

| KPI                        | Healthy Target           | Your Score / Notes |
|----------------------------|--------------------------|--------------------|
| Debtor Days                | < 30 days                |                    |
| Quick Ratio                | > 1.2                    |                    |
| Cash Buffer                | 2-3 months costs         |                    |
| Burn Rate Coverage         | > 6 months               |                    |
| Cash Conversion Cycle      | Shortening trend         |                    |
| VAT Reserve                | 100% ring-fenced         |                    |
| Corp Tax Monthly Provision | 1/12 liability set aside |                    |
| Rolling Forecast Updated   | Monthly                  |                    |

|                     |                         |  |
|---------------------|-------------------------|--|
| DLA Balance         | Cleared within 9 months |  |
| MTD Software Active | Yes                     |  |

### Section 3: RAG Status Summary

| Status       | Meaning  | Action Required                    |
|--------------|--|------------------------------------|
| <b>GREEN</b> | All metrics at or above healthy targets                | Maintain and monitor monthly       |
| <b>AMBER</b> | 1-3 metrics below target — early warning signs present | Review within 2 weeks with advisor |
| <b>RED</b>   | 4+ metrics below target or cash runway under 2 months  | Immediate CFO triage required      |

### Section 4: Notes & Actions

| Key Issues Identified | Actions & Owner |
|-----------------------|-----------------|
|                       |                 |
|                       |                 |
|                       |                 |