



MODULE 4

Debt and risk management



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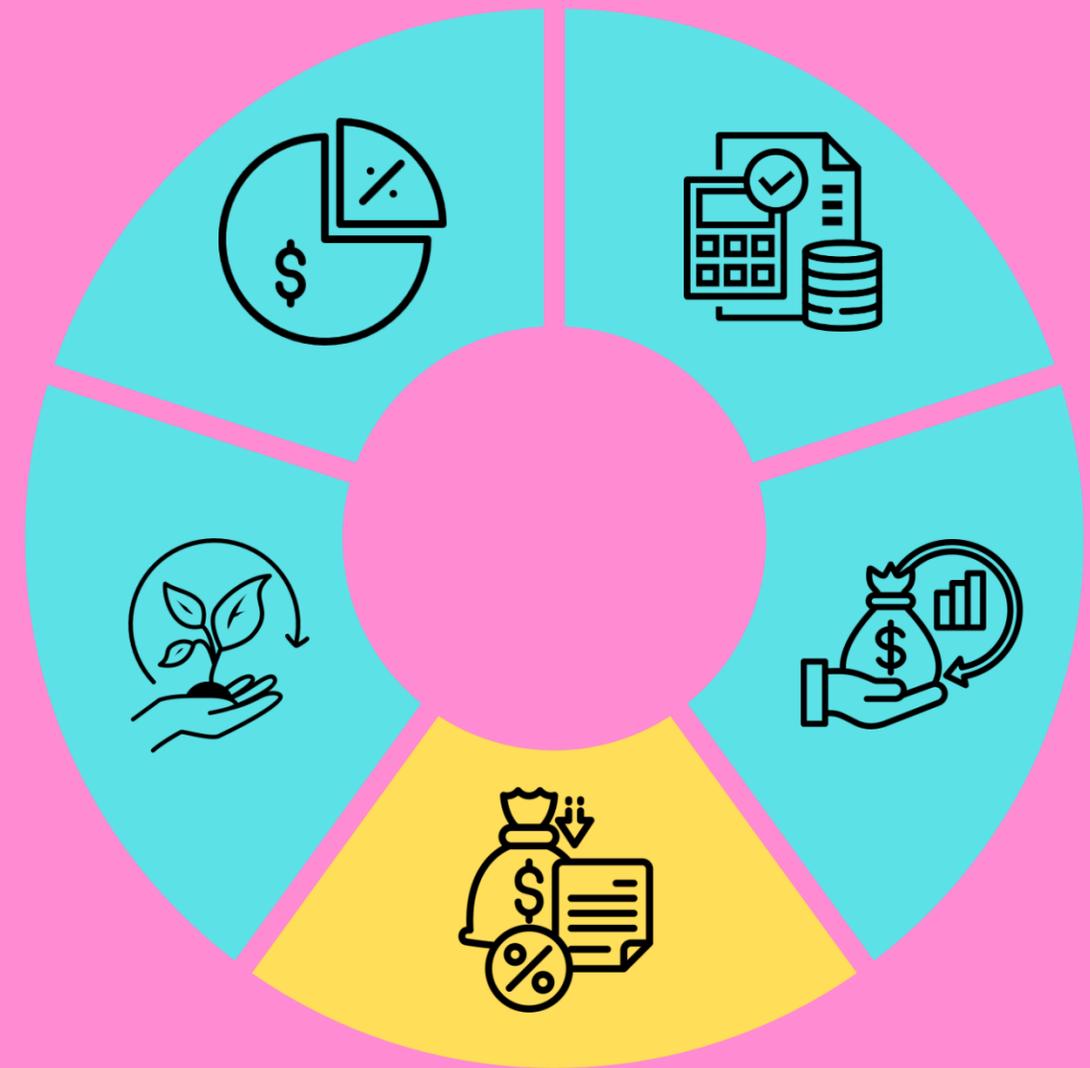
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How does this training programme works?

This training programme encompasses a set of 5 modules and it is designed to engage you in the topics, issues and activities that can help you acquire or improve your advanced financial skills for taking strategic business decisions.

It is a modular course, which means that you can pick up at where you feel you need training.

Right now, you are at **Module 4 – Debt and risk management.**



Welcome to Module 4

- 1** In this module, you will learn how to identify different types of business debt and financial risks and understand their impact on business continuity and resilience.
- 2** You will explore how to develop effective risk mitigation strategies, including contingency planning, credit control and negotiation tactics. You will also gain practical tools to assess financial exposure and manage liabilities responsibly.
- 3** Ultimately, this module will empower you to take ownership of financial risk management within your business and foster responsible debt practices across your team, ensuring long-term continuity and sustainability in a competitive environment.



Module outline

In this module, you will find:



**Learning
outcomes**



**Learning
contents**



**Learning
activities**



**Learning
resources**

Learning outcomes

At the end of this module, you are expected to:

1

Understand types of business debt and financing mechanisms and their implications for entrepreneurial financial health

2

Identify financial risks and their potential impact on business continuity and resilience

3

Develop risk mitigation strategies, including contingency planning, negotiation and credit management

Learning outcomes

At the end of this module, you are expected to:

4

Apply tools to monitor and assess business liabilities, debt ratios, and financial exposure

5

Take ownership of managing unpredictable financial risks and leading debt restructuring efforts, ensuring continuity

6

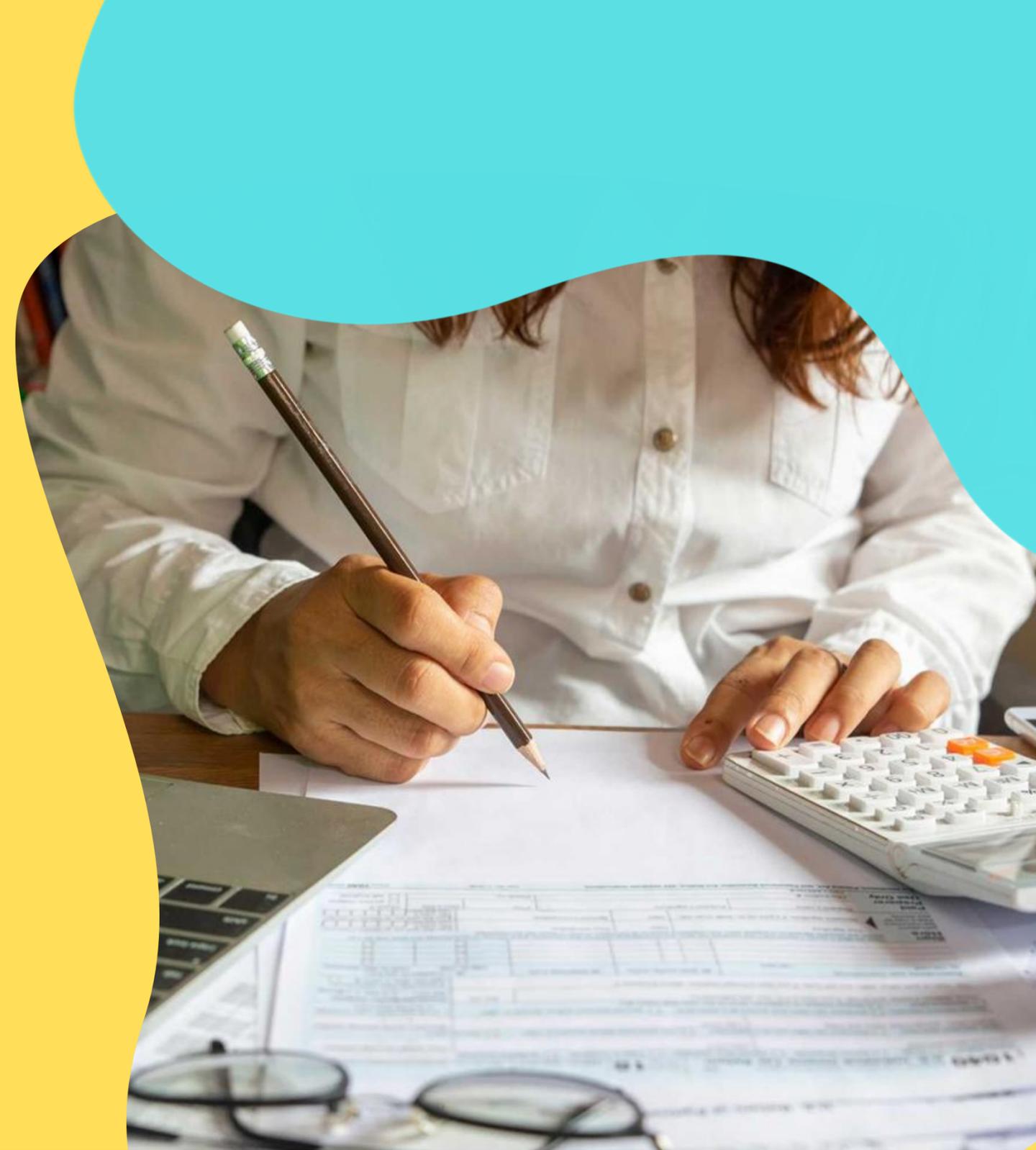
Empower team members or peers to adopt responsible debt management practices and build financial

Learning contents

Theoretical and/or factual knowledge to help you get acquainted with budgeting and financial planning

After completing this section, you are expected to:

- 1 Understand types of business debt and financing mechanisms and their implications for entrepreneurial financial health
- 2 Identify financial risks and their potential impact on business continuity and resilience



Introduction to business debt

Business debt is money borrowed to support operations, cover cash flow gaps or invest in growth. It allows access to capital without giving up ownership.

Common types include term loans, credit lines, leasing and trade credit. These differ in duration, interest rates and repayment terms. Debt can come from banks, suppliers or private sources.

While debt can fuel development, it adds financial obligations.

Poorly managed debt may harm liquidity and stability.

Understanding its structure is key to long-term financial health.



Keeping updated



How does debt financing work?

www.investopedia.com/terms/d/debt-financing.asp



Line of credit definition, types, and examples

www.investopedia.com/terms/l/lineof-credit.asp



Term loan

https://en.wikipedia.org/wiki/Term_loan



Debt Financing

<https://corporatefinanceinstitute.com/resources/commercial-lending/debt-financing/>



Types of business debt

Business debt includes a range of financing options used to support operations, investment, and liquidity. Common types are short-term loans, long-term loans, credit lines, and trade credit.

Short-term loans help cover immediate needs but often come with higher interest. Long-term loans support capital investment with lower payments over longer periods. Credit lines provide revolving access to funds, and trade credit allows businesses to delay payments to suppliers.

Each debt type has its own costs and risks. Choosing wisely helps balance cash flow, growth, and financial stability.



Keeping updated



Short-term debt (current liabilities)

www.investopedia.com/terms/s/short-termdebt.asp?



Term loan definition and types

www.investopedia.com/terms/t/termloan.asp?



Obtaining short-term financing

<https://rb.gy/xc1hb3>



Trade credit

<https://corporatefinanceinstitute.com/resources/accounting/what-is-trade-credit/>



Debt costs & financial impact

The cost of debt represents the effective interest rate a company pays on borrowed funds. This rate reflects both market interest and the borrower's credit risk, and it plays a central role in the weighted average cost of capital (WACC).

Debt interest is often tax-deductible, making post-tax debt cheaper than equity financing. Still, fixed repayments impose ongoing obligations that can strain cash flow if revenues dip.

To assess affordability, businesses use metrics like the Debt Service Coverage Ratio (DSCR) - which compares operating income to debt obligations. Lenders typically require DSCRs above 1.25x to ensure repayment ability.



Keeping updated



Cost of debt

<https://corporatefinanceinstitute.com/resources/valuation/cost-of-debt/>



Cost of debt: what it means & formulas

www.investopedia.com/terms/c/costofdebt.asp



What is debt service coverage Ratio

www.nerdwallet.com/article/small-business/debt-service-coverage-ratio



Debt service coverage ratio

<https://shorturl.at/7DcYV>



Financing mechanisms

Businesses can use different financing mechanisms, including loans, leasing, factoring, and credit lines. Each one provides capital in a distinct way—through debt, asset use, or receivables.

Leasing offers access to equipment without major upfront costs. Factoring allows businesses to receive cash in advance by selling unpaid invoices. Credit lines support short-term flexibility.

Each mechanism affects cash flow, repayment structure, and cost. Choosing the right tools helps entrepreneurs stay agile and better manage their financial obligations.



Keeping updated



Financing: what it means & why it matters

<https://shorturl.at/nTx7D>



Benefits of leasing equipment vs. buying

<https://shorturl.at/rbBZ4>



Equipment finance

www.horizononline.com/equipment-finance-lease-finance-rent/



Pros & cons of a business line of credit

www.bankrate.com/loans/small-business/business-line-of-credit-pros-cons/



Empowered financing decisions

Choosing the right financing mechanism means aligning financial tools with business needs and goals. Key factors include repayment terms, interest rates, collateral, and impact on cash flow.

Short-term loans provide quick access but may strain cash if revenue is unstable. Long-term loans offer stable funding for investment, though they reduce flexibility. Leasing or alternative finance can help early-stage ventures with limited credit.

Equity financing may suit high-growth businesses. Evaluating multiple options supports informed decisions and helps women entrepreneurs build long-term financial strength.



Keeping updated



Empowering female entrepreneurs

<https://shorturl.at/HuwdM>



Short-term vs. long-term business Loans

<https://peopledevelopmentmagazine.com/2024/03/05/long-term-business-loans/>



Business loan strategies for women entrepreneurs

<https://sheownsit.com/business-loan-strategies-for-women-entrepreneurs/>



What are financial risks?

Financial risks refer to the potential for unexpected events or poor decisions to negatively affect a business's financial performance or survival. These risks can stem from both internal and external sources and vary in severity.

Key categories include credit risk (when customers fail to pay), liquidity risk (insufficient cash to meet obligations), market risk (fluctuations in interest rates, exchange rates, or commodity prices), and operational risk (due to internal failures or external disruptions).

Understanding these risks is critical for financial stability and for protecting the business from disruptions that may threaten continuity.



Keeping updated



How to identify and control Financial Risk

www.investopedia.com/terms/f/financialrisk.asp



SMEs and entrepreneurship

www.oecd.org/en/topics/smes-and-entrepreneurship.html



Financial risk: the major kinds that companies face

<https://shorturl.at/6WM3l>



Navigating financial risk

www.numberanalytics.com/blog/ultimate-guide-financial-risk-management?



Financial ratios for risk awareness

Monitoring key financial ratios helps entrepreneurs detect risks early and steer decisions smartly. The Debt-to-Equity Ratio (Total Liabilities ÷ Equity) indicates leverage; high values (e.g. >2) suggest over-reliance on borrowed funds.

The Interest Coverage Ratio (EBIT ÷ Interest Expenses) shows how comfortably a business can pay its interest. Values under 1.5 may indicate trouble, while above 3 suggests a strong position.

The Current Ratio (Current Assets ÷ Current Liabilities) evaluates liquidity. Ratios under 1 imply cash pressure; 1.5–2 is generally healthy. Regular review empowers businesses to adjust financing or operation plans.



Keeping updated



Debt-to-Equity (D/E) ratio formula and how to interpret it
<https://shorturl.at/VKdwm>



Interest coverage ratio
<https://shorturl.at/ocUKZ>



Current ratio explained with formula and examples
www.investopedia.com/terms/c/currentratio.asp



Credit risk & bad debt

Credit risk arises when customers or borrowers may fail to repay debts, exposing businesses to financial losses. This can occur due to insolvency, delayed payments, or fraudulent behavior, and is an inherent challenge in extending trade credit.

To manage this risk, companies assess creditworthiness using tools like the "5 Cs" (Character, Capacity, Capital, Conditions, Collateral), set credit limits, and monitor receivables aging. Effective credit risk practices reduce the risk of bad debts and strengthen cash flow.

When payments fail, debts may be classified as bad debt—uncollectible amounts that must be written off. High bad-debt levels hurt profitability and liquidity, making proactive credit policies and timely collections critical.



Keeping updated



Credit risk: definition and role of ratings

www.investopedia.com/terms/c/creditrisk.asp?



What is credit risk

<https://shorturl.at/nXIbZ>



Credit risk analysis

<https://shorturl.at/AdnFG>



What is bad debt?

www.netsuite.com/portal/resource/articles/accounting/bad-debt.shtml



Liquidity & interest rate risks

Liquidity risk arises when a business doesn't have enough cash to meet short-term obligations. It's often caused by delayed payments, poor cash flow planning, or sudden expenses.

Interest rate risk occurs when rising market rates increase the cost of borrowing—especially for variable-rate loans. This can strain cash flow and reduce financial flexibility.

To manage both risks, businesses can maintain cash reserves, review debt structures, and consider fixed-rate loans or hedging tools. Active monitoring helps minimize surprises and supports long-term stability.



Keeping updated



Understanding liquidity risk in banks and business, with Examples

<https://shorturl.at/LKP7B>



Interest rate risk

<https://shorturl.at/t16un>



Liquidity risk in modern finance operations : A guide for small to mid-sized businesses

<https://shorturl.at/CcVS4>



Managing interest rate risk

<https://shorturl.at/sqSzZ>



Building financial resilience

Financial resilience is the ability of a business to withstand economic shocks and continue operating during uncertainty. It depends on preparation, flexibility, and strong financial foundations.

Resilient businesses maintain cash buffers, diversify income streams, and plan for multiple scenarios. Monitoring key financial indicators and empowering teams to make informed decisions also strengthens response capacity.

Building resilience reduces vulnerability to financial risks and supports long-term sustainability - especially for entrepreneurs navigating volatile markets or limited resources.



Keeping updated



International network on financial education

www.oecd.org/en/networks/infe.html



Strategies To build your company's financial resilience

<https://shorturl.at/mw3hh>



Small business financial strategies to build resilience

<https://shorturl.at/MWNkW>



Measuring women entrepreneurs' financial resilience

<https://shorturl.at/AHIKV>



Learning activities

A set of activities designed to provide you with real-world challenges and practical information on budgeting and financial planning, so you can apply the knowledge gained

Module activities

In this module, you will find:



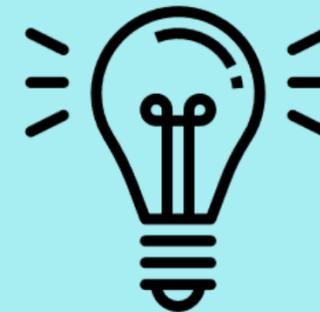
Task cards

Practical problem-oriented case studies specifically designed to offer you real-world scenarios for you to apply budgeting/finance techniques and perform specific tasks



Storytelling scenarios

Real or fictional narratives that reflect real-life budgeting/finance dilemmas or success stories, encouraging understanding through reflection and analysis



Practical tips

Exploratory questions and answers presented as practical tips to help you better face budgeting/finance challenges through entrepreneurial judgement and independent thinking

After completing this section, you are expected to:

- 1 Develop risk mitigation strategies, including contingency planning, negotiation and credit management
- 2 Apply tools to monitor and assess business liabilities, debt ratios, and financial exposure



After completing this section, you are expected to:

- 1 Take ownership of managing unpredictable financial risks and leading debt restructuring efforts, ensuring continuity
- 2 Empower team members or peers to adopt responsible debt management practices and build financial



Task cards

Task card 1:

Managing a cash flow gap

You are running a small business that relies heavily on a few key clients. One of them delays a significant payment by 30 days, just as supplier invoices and a loan installment are coming due. Your available cash is limited, and unless you act immediately, your operations may be disrupted.

This scenario aims to strengthen your ability to respond to sudden cash flow disruptions by prioritizing short-term liabilities, negotiating payment terms, and applying contingency measures to protect business continuity.

Cash flow interruptions are one of the most common financial risks for early-stage businesses. Quick, informed decisions help avoid long-term damage, protect business relationships, and strengthen financial resilience.



Task card 1

Action 1: Analyse obligations

Step 1: List all your upcoming financial obligations. Create a clear list of short-term liabilities due in the next 2–4 weeks (e.g., supplier invoices, rent, payroll, loan installments, tax payments).

Step 2: Categorise those obligations by urgency and importance. Sort each obligation into one of the following: critical (must be paid to avoid penalties or service disruption — e.g., loan repayment), negotiable (can potentially be postponed — e.g., supplier payment) or non-essential (can be delayed or canceled — e.g., new inventory)

Step 3: Estimate your available cash and current deficit. Compare your total short-term obligations to your available cash on hand. Calculate the gap to understand your immediate financing need.



To help you further



Examples of current liabilities

<https://shorturl.at/cme9c>



Do You Have a Financial Maintenance Calendar?

<https://shorturl.at/4sQrO>



Liability: Definition, Types, Example

<https://shorturl.at/EUzRf>



Reviewing liabilities on the balance sheet

<https://shorturl.at/IWvOA>



Task card 1

Action 2: Immediate solutions

Step 1: Negotiate with suppliers and lenders. List key suppliers and loan providers and define a short explanation for the delayed client payment. This can include request for short extensions, partial payments, or deferments to maintain trust and ease pressure.

Step 2: Think about how you can use available financial tools. For example, if you have a credit line or access to short-term loans, how can you use them wisely? Can you request early payments from other clients to improve liquidity?

Step 3: Think about if you need to cut or delay non-essential expenses. For example, pause spending on items like marketing, inventory restocking, or subscriptions, or redirect funds to support core operations and urgent obligations.



To help you further



10 ways to improve cash flow

<https://shorturl.at/HBwH6>



Short-term financing: options for rapid growth

<https://shorturl.at/tzZiE>



Negotiation: stages and strategies

www.investopedia.com/terms/n/negotiation.asp



Task card 1

Action 3: Build a safety net

Step 1: Identify emergency funding options. List any available reserves, emergency credit lines, or alternative income sources to cover operations if client payments remain delayed.

Step 2: Outline cost-saving measures. Determine which expenses can be paused, reduced, or rescheduled without harming critical activities.

Step 3: Plan clear communication. Prepare a table of how you will inform suppliers, lenders, and staff about the situation, with suggested targeted communication for each one. Transparency builds trust and prevents misunderstandings during financial stress.



To help you further



What is a business contingency plan? Examples and template

<https://shorturl.at/0kvcr>



How small businesses can prepare for financial emergencies

<https://shorturl.at/wGCQW>



Contingency plan

https://en.wikipedia.org/wiki/Contingency_plan?



Task card 1:

Managing a Cash Flow Gap

In a nutshell

You learned how to distinguish between critical, negotiable, and non-essential obligations to make informed financial decisions under pressure.

You practiced proactive negotiation strategies with suppliers and lenders to gain flexibility and protect relationships.

You developed a contingency mindset - preparing backup options and cost-saving actions to maintain continuity during financial uncertainty.

Task card 2: Diagnosing financial exposure

Your company has grown fast but rising costs and loan payments are squeezing your margins. Monthly debt service now exceeds 40% of your revenue, and some suppliers are requesting faster payments. You're unsure how much financial pressure your business can absorb.

This case challenges you to monitor and assess your liabilities using key financial tools. Calculate your debt-to-equity, interest coverage, and current ratio to understand risk exposure and identify warning signs.



Task card 2

Action 1: Assess financial exposure

Step 1: Gather financial data. Collect figures for total liabilities, equity, EBIT (Earnings Before Interest and Taxes), interest expenses, and current assets and liabilities. These will help you measure financial risk.

Step 2: Calculate key ratios. Use three tools:

- Debt-to-Equity = Liabilities ÷ Equity
- Interest Coverage = EBIT ÷ Interest
- Current Ratio = Current Assets ÷ Liabilities

Step 3: Interpret results. D/E above 2 signals high debt. Interest coverage below 1.5 shows repayment risk. A current ratio under 1 suggests liquidity issues. Use these insights to adjust your strategy.



To help you further



D/E ratio formula and how to interpret it

<https://shorturl.at/LxIxF>



Interest coverage ratio: formula, and what it means for investors

<https://rb.gy/yuxhk2>



Current ratio explained: formulas and examples

<https://shorturl.at/qGCFD>



Financial ratios

<https://corporatefinanceinstitute.com/resources/accounting/financial-ratios/>



Task card 2

Action 2: Prioritise corrective action

Step 1: Identify the highest-risk area. Based on your ratio analysis, determine which aspect of your financial structure is most critical — debt level, interest burden, or liquidity shortage.

Step 2: Explore possible adjustments. List the best options, such as reducing discretionary spending, refinancing debt, or negotiating extended payment terms to relieve short-term financial stress.

Step 3: Set monitoring checkpoints. Draft a monthly review checklist of key ratios to track progress and ensure early detection of future financial strain.



To help you further



Financial performance

<https://corporatefinanceinstitute.com/resources/accounting/financial-performance/>



Debt management guide

www.investopedia.com/articles/pf/12/good-debt-bad-debt.asp?



5 essential financial metrics for small business success

<https://samslist.co/blog/financial-metrics-for-small-business?>



Task card 2

Action 3: Monitor exposure regularly

Step 1: Choose your key indicators. Select 2–3 financial ratios that reflect your business' main risks (e.g., liquidity, leverage, repayment ability). Focus on those tied to your goals and liabilities.

Step 2: Set a review schedule. Decide how often you will review and update the indicators — monthly, quarterly, or after major financial events — to ensure timely reactions.

Step 3: Use insights to adjust. Search for trends and compare your results to benchmarks. If risk levels rise, take action early (e.g., reduce spending, renegotiate terms, seek external advice).



To help you further



Leveraging financial ratios to assess company performance

<https://shorturl.at/mn3v7>



15 key financial metrics & KPIs for small businesses

<https://shorturl.at/ZDgUC>



Key Performance Indicators (KPIs)

<https://shorturl.at/uNsQA>



Why monitoring financial ratios is critical for your business

<https://shorturl.at/AKN2U>



Task card 2:

Diagnosing Financial Exposure

In a nutshell

You have learned how to identify key types of business debt and financing mechanisms, along with how each one impacts your company's financial health and flexibility.

You now know how to assess financial risk using practical tools like debt ratios and liquidity indicators, allowing you to monitor liabilities and act before issues escalate.

Finally, you can apply targeted strategies - such as contingency planning, negotiation, and credit control - to manage uncertainty and support long-term resilience.

Storytelling scenarios

Scenario 1: The client payment shock

Maria runs a small design agency with a stable team and long-term clients. One of her biggest clients suddenly delays a €20,000 payment by 30 days—just as monthly salaries, rent, and a loan repayment are due.

Her cash reserves are tight, and unless she takes immediate action, the agency risks missing key payments. Maria must decide how to protect cash flow without damaging supplier relationships or her team's morale.

She considers three options: negotiating a short-term loan with her bank, delaying non-essential expenses, or asking the supplier for partial payment flexibility. She also considers pausing upcoming software upgrades and shifting work hours to avoid overtime costs.



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Scenario 1: The client payment shock

Maria contacts her bank and secures a small overdraft extension, then negotiates split payments with suppliers. She pauses new hires and delays campaign spending. Most importantly, she is transparent with her team and involves them in temporary cost-saving measures.

Within five weeks, cash flow stabilizes. The client eventually pays, and Maria's quick response helps the business avoid penalties, layoffs, or reputation damage.

The experience teaches her how leadership in crisis involves not just technical decisions, but also team trust and timely communication. She begins tracking two new metrics: average days receivable and a monthly liquidity buffer goal to stay ahead of future risks.



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Scenario 1: The client payment shock

- 1 If you were Maria, which payments would you prioritise first - and what criteria would guide that choice?
- 2 What short-term financing or debt-restructuring tools could Maria use to bridge the 30-day gap without over-leveraging the business?
- 3 How could Maria involve her team to foster responsible cash-flow and debt-management habits that strengthen long-term resilience?



After reading this story, you are now asked to reflect and answer the debriefing questions here presented. While doing it:

- ✓ Focus on urgency and impact when prioritising payments.
- ✓ Consider tools like overdrafts, expense cuts, or supplier extensions.
- ✓ Think how transparent teamwork builds financial responsibility.
- ✓ Choose simple indicators that track risk early (e.g., cash buffer, receivables).



Scenario 1: The client payment shock



TRY TO

Prioritize urgent liabilities and explore practical tools like overdrafts, payment deferrals, or expense cuts to stay afloat.



TRY TO

Track 1–2 financial indicators (e.g., cash buffer, receivable days) that alert you to early signs of risk.



DO NOT

Ignore early signs of a cash crunch or delay action hoping the problem will resolve on its own.



DO NOT

Make short-term financial fixes without assessing long-term impact on operations or partner trust.

Scenario 2: Fixing habits, not just numbers

Helen works as operations manager in a social enterprise. Over time, she notices that her team often uses short-term credit to cover cash flow gaps—but without tracking repayment schedules or interest costs.

She proposes a peer-led finance health initiative: short team sessions on cash-flow planning, interest management, and basic debt ratios. She also helps set up a simple dashboard showing key indicators like payment deadlines and debt-to-income ratio.

Soon, colleagues begin flagging risks earlier, negotiating better terms with suppliers, and reducing late payment penalties. Helen sees that empowering the team with simple tools—not just finance staff—can transform how the organisation manages debt.



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Scenario 2: Fixing habits, not just numbers

As the months go by, Helen notices a cultural shift. Team members regularly review dashboards and raise cash flow concerns early. Departments now align payment terms, cut non-essential costs, and rely less on short-term credit.

Helen introduces two basic KPIs to monitor team progress: number of on-time payments per quarter, and the ratio of short-term debt to monthly revenue. These indicators are now shared in team meetings—not just financial reports.

By sharing knowledge and building ownership, Helen has helped foster a team culture of responsible debt management and long-term financial awareness.



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Scenario 2: Fixing habits, not just numbers

- 1 If you were Helen, how would you encourage your team to take ownership of financial practices?
- 2 Which tools or indicators could help your team manage debt more responsibly?
- 3 How can you make financial dashboards and KPIs more accessible across non-finance roles?



After reading this story, you are now asked to reflect and answer the debriefing questions here presented. While doing it:

- ✓ Think about how simple, visible tools build shared responsibility.
- ✓ Focus on indicators that are clear, easy to track, and help prevent risk.
- ✓ Consider how collaboration and transparency can improve financial decisions across teams.
- ✓ Reflect on how training and open dialogue empower others to manage debt proactively.



Scenario 2: Fixing habits, not just numbers



TRY TO

Encourage open dialogue about financial decisions and involve team members in risk monitoring.



TRY TO

Use simple tools (like dashboards or KPIs) to make debt and cash flow visible and actionable for all.



DO NOT

Rely only on finance staff to spot financial risks—ownership should be shared.



DO NOT

Ignore team training opportunities that build long-term financial awareness and responsibility.

Practical tips

Practical tip 1: Build cash flow awareness

Many businesses don't fail because they're unprofitable - but because they run out of cash. Staying ahead of cash flow risks means building a habit of weekly tracking and quick action.

Set aside 30 minutes each week to review what came in (sales, services) and what went out (rent, inventory, loans, wages). Use a simple spreadsheet or free tool like Google Sheets or Wave to log transactions and spot trends.

This early visibility helps you reduce non-essential expenses, follow up on late payments, or adjust spending before a cash crunch becomes critical.



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To learn more about

Consider the following resource, where this topic is explored in more depth:

This practical guide outlines 10 smart ways to improve your business's cash position, including how to anticipate shortfalls, track inflows and outflows, build reserves, and strengthen financial discipline through simple tools and habits.



10 ways to improve cash flow

www.investopedia.com/articles/personal-finance/061215/10-ways-improve-cash-flow.asp



Practical tip 2: Prioritise when cash is tight

When you can't cover all expenses, guessing who to pay first can backfire. Use a simple method to stay in control.

List upcoming payments and group them into:

- Critical – essential for operations or to avoid penalties (e.g. rent, loans)
- Negotiable – possibly delayable with communication (e.g. suppliers)
- Postponable – low urgency (e.g. new stock, subscriptions)

This structured approach allows you to allocate funds more effectively, preserve essential operations, and manage relationships with creditors transparently and strategically.



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To learn more about

Consider the following resource, where this topic is explored in more depth:

This guide offers a clear method for sorting payments during cash shortages. It explains why taxes and payroll come first, how to rank obligations, and how communication helps protect supplier trust.



Prioritising your bills as a small business

www.debt.org/small-business/prioritizing-your-bills/



Practical tip 3: Talk to creditors before it's too late

Waiting until you've missed a payment can harm your reputation and limit your options. Creditors are more willing to help when you show responsibility and act before problems escalate.

If you expect a delay - due to cash flow gaps, slow sales, or unexpected costs - reach out before the due date. Be clear, explain the situation, and offer realistic alternatives like a partial payment or deadline extension.

Early communication shows professionalism, protects your business relationships, and improves the chances of a workable solution.



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To learn more about

Consider the following resource, where this topic is explored in more depth:

This guide provides practical advice on how to approach suppliers professionally to request extended terms, avoid conflict, and maintain strong business relationships—especially during financial hardship.



How to negotiate payment terms with your suppliers

www.sage.com/en-us/blog/negotiating-payment-terms/



Practical tip 4: Quick response plan

Unexpected costs, delayed payments, or seasonal drops in revenue can threaten your stability. That's why building a small reserve is one of the smartest habits an entrepreneur can develop.

Start by setting aside a fixed percentage of your monthly income - no matter how small - as a safety cushion. Even saving 5–10% regularly can help cover emergency expenses without turning to high-interest credit or late payments.

Having a buffer gives you flexibility, peace of mind, and the ability to act strategically under pressure—not just react.



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To learn more about

Consider the following resource, where this topic is explored in more depth:

This article explains how setting aside three months' worth of expenses can help businesses avoid panic decisions, respond strategically to disruptions, and protect operations from cash flow shocks.



Why every company should have a 90-day cash flow buffer

www.entrepreneur.com/money-finance/why-every-company-should-have-a-90-day-cash-flow-buffer/491851



Practical tip 5: Train your team to spot financial red flags

You don't have to manage financial risks alone. When your team understands basic financial signals, they become allies in protecting your business.

Encourage staff - especially in operations, sales, or procurement—to track simple indicators like late payments, rising costs, or frequent credit use. These signs often appear before more serious problems.

Provide short trainings or monthly check-ins to discuss trends, highlight red flags, and build a shared sense of responsibility. A financially aware team helps catch issues early and strengthens overall resilience.



To learn more about

Consider the following resource, where this topic is explored in more depth:

This article shares 20 practical ways to help employees build financial knowledge. It shows how better financial understanding improves decisions, lowers risk, and boosts resilience.



20 ways to boost financial literacy amongst your staff and clients

<https://shorturl.at/vlKmd>



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Practical tip 6: Create a simple dashboard for debt monitoring

Visual tools can help you stay on top of debt and avoid surprises. A basic dashboard showing your key debt indicators makes trends easy to track and explain.

Start with 3–4 key figures: total outstanding debt, next payment dates, interest rates, and monthly repayment obligations. Use color codes or charts to flag risks—like missed payments or rising ratios.

Review this dashboard monthly, alone or with your team. It turns raw numbers into insights and helps you take faster, smarter action when needed.



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To learn more about

Consider the following resource, where this topic is explored in more depth:

This guide walks you through creating a clear, one-page dashboard for small businesses—covering key metrics like cash flow, expenses, and debt. It focuses on choosing relevant KPIs, visual design, and simplicity so you can detect issues early and make quick decisions.



How to build a financial dashboard for your business

<https://samslist.co/blog/how-to-build-a-financial-dashboard-for-your-business>



Learning resources

Additional online resources to help you broaden your understanding on budgeting and financial planning

Useful resources

- 1 What is debt financing & how does it work**
<https://shorturl.at/Ycqjc>
- 2 Your guide to the basics of financing a business**
<https://shorturl.at/5ulBz>
- 3 Financial risk: major kinds that companies Face**
<https://shorturl.at/ZWM2M>
- 4 Business continuity vs. resilience: differences**
<https://shorturl.at/HNj7G>
- 5 Top ways to manage business risks**
<https://shorturl.at/Emt4A>
- 6 What is a contingency plan? A guide**
<https://asana.com/resources/contingency-plan>



Useful resources

- 1 Understanding liquidity ratios**
www.investopedia.com/terms/l/liquidityratios.asp
- 2 Interest coverage ratio and investor importance**
<https://shorturl.at/Brddj>
- 3 Small business debt restructuring strategies**
<https://shorturl.at/IR5YH>
- 4 Financial risk management benefits**
<https://shorturl.at/4KI82>
- 5 Financially literate workforce: an employer's guide**
<https://shorturl.at/PFLmn>
- 6 The importance of financial literacy for employees**
<https://shorturl.at/7LwjI>



Well done! What is next on your journey?

Go ahead and select a new module!

Module 1

Budgeting and financial planning

Module 2

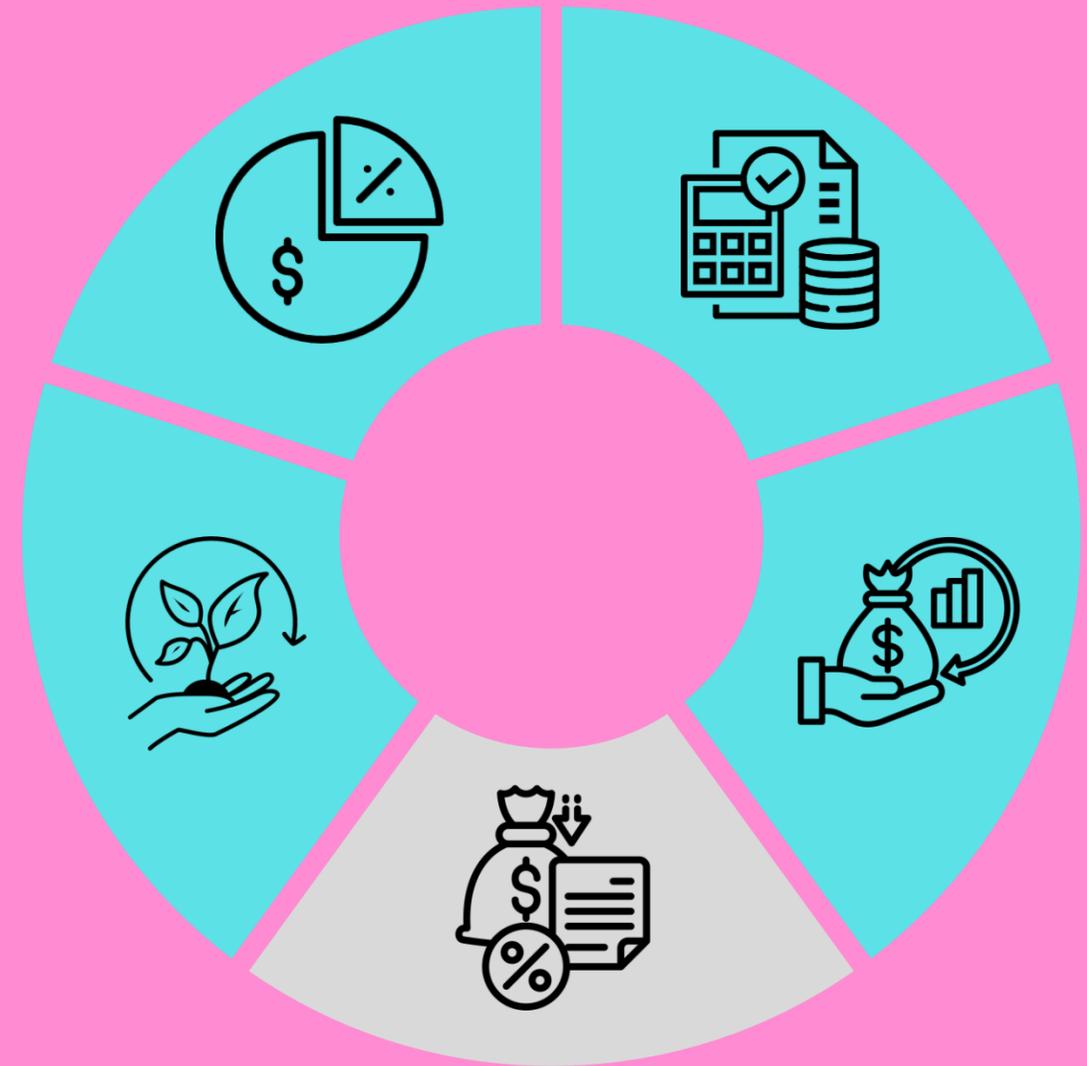
Understanding financial statements

Module 3

Investment knowledge

Module 5

Sustainable finance for strategic financial decisions



The partnership

Meet the partners



[excel-erasmus-project](https://www.linkedin.com/company/excel-erasmus-project)



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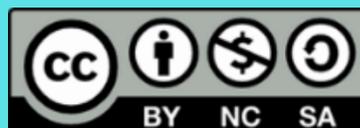
ADVANCED FINANCIAL SKILLS AS A CATALYST FOR WOMEN ENTREPRENEURS' TRANSFORMATIVE POWER



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