

Source: Fortmann's Hawkeye Haven's accounts payable aging schedule was developed by the Business Owner's Toolkit. It can be found at <http://www.bizfilings.com/toolkit/sbg/finance/cash-flow/accounts-payable-cash-flow.aspx>.

How much income does Fortmann's Hawkeye Haven need to generate to cover the current month's purchases on account?

\$7,550

1. How much income does the company need to generate to pay all of its accounts payable?

\$9,350

2. The company doesn't have enough cash available to pay all of its accounts payable. What advice could you give to the company's owner about determining which accounts payable to pay first?

*If the company doesn't have enough cash available to pay all of its accounts payable, its owner needs to consider how important each supplier is to the business. For instance, let's assume that TrueBrew Unlimited is only source for a popular product that the business sells. Then, the company should probably TrueBrew sooner rather than later to protect its trade credit with this supplier. The owner also needs to consider payment due dates and credit terms before deciding which suppliers to pay now or later.*

3. Fortmann's owner has decided to ask three of his suppliers if he can negotiate extended payment terms with them to delay the company's cash outflows. What are the suppliers likely to consider before offering the company any longer credit terms?

*The suppliers are likely to consider:*

- *Their past and present business relationship with Fortmann's*
- *Fortmann's payment history and credit worthiness*
- *The size of Fortmann's order and the need for the continued business*