



Mark Stevens
Small-Business Adviser

A delicate balance

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The best loans are those a company makes to itself. By using sophisticated cash management to postpone accounts payable and speed up collections, any business can squeeze extra value from its money.

The net effect is like getting an interest-free loan.

The idea is to strike a delicate balance between the obligation to pay vendors and the incentive to keep cash in the company's accounts. This is the essence of savvy cash management; it makes maximum use of company funds without jeopardizing the firm's credit rating.

"If you can accelerate the receipt of funds, you can reduce the need to borrow to meet the company's cash requirements," says Craig Ramsey, an audit manager with Touche Ross & Co., CPAs. "And if you can keep those funds in your account for extended periods, you can use the money to pay down existing debt. In either case the benefits of sound cash management can be equivalent to that of an interest-free loan."

Among the dozens of cash management techniques available to small business, some are widely known, others are rarely utilized. Experts suggest that business owners explore

these dollar-stretching strategies:

- Ask your bank for an account analysis as well as a monthly statement. The analysis views the account the way the bank sees it. Is it profitable? Are there substantial cash balances for the bank to invest?

"Two key components of the analysis — the sum of collected and uncollected balances — are revealing," Ramsey adds. "If collected funds, those that have been cleared through the Federal Reserve, far exceed the amount required to cover the bank's minimum balances and fees, then the bank may be profiting at the customer's expense."

"The sophisticated small business will make an arrangement with the bank for the excess funds to be shifted into a sweep account where it earns high interest in the money market. Chances are that unless this arrangement is made, the bank will invest the money for its own account and keep the interest."

Although some banks may be reluctant to provide account analyses, others will respond to a bottom-line appeal. Tell the bank that you want to maximize cash management opportunities and that you will sever other banking relationships in return for the major bank's cooperation in achieving this objective.

"One of my clients boasted that his bank named his company in their eight most profit-

able accounts," says Herbert Speiser, a CPA and small business specialist. "My response was that he was doing something wrong. Some of that profit should have been his."

- Establish a company lock box at the local post office. Have customers send payments to the box rather than the company's business address.

A bank assigned to service the box gathers all the mail, separates the checks from the paper work and immediately deposits the money in interest-bearing accounts. The box may be serviced up to several times a day as well as on weekends.

"The fee for this service — which usually varies with the number of transactions involved — is more than made up for by the amount of extra income the company earns by putting its money to work as quickly as possible," Speiser adds.

"Quite often, when the small firm makes the deposits itself, the checks sit around in the mail room or in various offices waiting for the paper work to be completed. This means money down the drain. Any small firm with a substantial volume of checks coming in — including business professional practices — can profit from a lock box arrangement."

17 largest banks must hike capital

WASHINGTON (AP) — Federal banking regulators have imposed new rules that require the nation's 17 largest banks to keep their capital equal to a minimum of 5 percent of their total assets.

There previously had been no set guideline for capital adequacy for those banks. Its imposition comes at a time of increased concern about the lending practices of large banks to developing countries that have become strapped for cash.

Twelve of the multinational banks already are in compliance with the requirement set by the Federal Reserve Board and the Office of the Comptroller of the Currency.

The five banking organizations not yet meeting the standard were identified by a Federal Reserve official as BankAmerica Corp.; Bankers Trust New York Corp.; Chase Manhattan Corp.; Citicorp; and Irving Bank Corp.

Their capital adequacy ratios ranged from 4.67 percent to 4.98 percent as of March 31.

The regulators agreed to give the five banks "a reasonable period" of roughly a year to 18 months to come into compliance with the guideline, an official said.

The banks can boost their capital by issuing new stock, retaining more earnings and slowing the growth rate of their assets, he said.

The amount of capital required is judged necessary for banks to have so they can absorb any losses they may incur and so that public confidence in the institutions will be maintained, the official said.

The regulators imposed guidelines for regional and community banks in December 1981. They also indicated they wanted the capital position of the big banks to improve.

Since then, the capital ratios of the multina-

tionals have grown, the agencies said in a news release.

"Over the past 18-months, the average primary capital ratio for these banking organizations increased from 4.63 percent to 5.35 percent through the issue of \$450 million of common stock, \$2.9 billion of preferred stock and \$1.3 billion of mandatory convertible securities," the release said.

"This substantial involvement means that most of these institutions are already in compliance or will not have far to go to come into compliance with the standard guidelines," it said.

A bank's capital includes common stock, perpetual preferred stock, surplus, undivided profits, contingency and other capital reserves, mandatory convertible instruments and allowance for possible loan and lease losses.

Business briefs

Pogo buys 5.9 million of its shares

Pogo Producing Co. says that it has purchased about 5,933,000 shares of its stock that was validly tendered prior to the expiration date at midnight Monday. Pogo had offered to purchase up to 6.25 million shares of its common at \$25 per share. Pogo said the tender offer was not being extended.

M&T Mortgage acquisition OK'd

The acquisition of the assets of M&T Mortgage Investors by First Continental Real Estate Investment Trust has been approved by the boards of the two entities — both of which are Texas real estate investment trusts. The acquisition is expected to be consummated prior to Aug. 15.

K mart to open two stores here

K mart Corp. will open two new discount department stores in the Houston area June 30 — one at FM 1960 Bypass in Humble and the other at 5607 Uvalde Road. They will bring the number of K marts in Texas to 152. Each store will contain 79,902 square feet. Each store will employ more than 100 full-time area residents.

Shareholders OK Dixie Beer sale

NEW ORLEANS (UPI) — Shareholders have approved the eleventh hour sale of Dixie Beer, which saved one of the nation's last independent breweries from extinction. Stockholders approved the purchase by Coy International Inc. Dixie Beer had recently halted all production and was expected to close its doors until Coy International stepped in with its undisclosed offer.

Japan cuts imports of Mexican oil

TOKYO (UPI) — Japanese oil importers have slashed imports of Mexican crude by more than 30 percent in a bid to force Mexico to cut its price to \$1.50 per barrel below the OPEC level. A trade source says Japanese oil firms have held down their imports from Mexico from a contracted 160,000 barrels a day to 110,000 barrels since February.

Marietta to buy back rest of stock

BETHESDA, Md. (AP) — Martin Marietta Corp. says it will pay about \$280 million for the remaining 20 percent of its stock held by Allied Corp., the peace-

Visa, SRI form firm

SAN FRANCISCO (AP) — Visa USA has formed a company with SRI International to produce technology to verify customers' signatures and help cut multimillion-dollar losses due to fraud.

"The reason that we're interested in the signature verification technology is because we need something that can be used at the point of sale to verify the identity of a customer," Visa spokesman Richard Rossi said Tuesday.

Rossi said SRI has developed a relatively simple device that allows Visa to "pattern" customer signatures based on a variety of factors, including how quickly they sign and how much pressure they apply.

The credit card industry lost \$100 million last year because of fraud, with \$10 million in losses to Visa alone due to counterfeit cards, Rossi said.

SRI already has developed a prototype device that would read a magnetic stripe on the card, and Visa expects to have the technology in place soon, Rossi said.

Under the agreement between SRI and Visa, Visa owns exclusive rights to signature verification technology for the financial services industry. The new company, based in San Mateo, would develop similar technology for other uses, Rossi said.

maker in Marietta's merger battle last year with Bendix Corp. The action will return Martin Marietta to the independence it enjoyed prior to last Aug. 25, when Bendix made a surprise offer for the Bethesda-based aerospace conglomerate's stock.

Bid for Sotheby hits \$117 million

LONDON (AP) — General Felt Industries Inc. has raised its bid for the British auction house Sotheby Parke Bernet Group PLC to \$117.4 million. An earlier bid was rejected by Sotheby, which recently welcomed a rival bid from American businessman Alfred Taubman.

GHR Energy asks change in hearing

BOSTON (AP) — GHR Energy Corp. has asked a federal bankruptcy court to transfer its Chapter 11 debt reorganization case from Boston to New Orleans to save lawyers' fees, court costs and ensure a quick accord. GHR Companies Inc., the parent firm, is the nation's third largest privately held concern.

Soybean stocks hit record level

WASHINGTON (AP) — U.S. soybean stocks, struck by a decline in European demand and increased foreign competition, will hit a record 440 million bushels by the end of August, the Agriculture Department says. The report put soybean exports at 910 million bushels, down 20 million from the previous year's performance.

Fuego buyers to get free air

DETROIT (AP) — Buyers of Renault Fuego and Fuego Turbo models will receive free air-conditioning systems on vehicles purchased between now and the end of August. American Motors Corp. said the base price of the 1983 Fuego remains at \$8,695 but will now include optional air conditioning. The Turbo, which has air conditioning as standard equipment, will sell for \$10,455 instead of \$11,095.

Steel output falls slightly

NEW YORK (AP) — Steel production fell to 1.621 million tons in the week ended June 11, a decrease of 0.6 percent from the previous week's 1.631 million tons. The American Iron and Steel Institute says industry's production amounted to 56.1 percent of capacity during the week, compared with 56.4 percent in the previous week.

Bridgestone to put in robots

LAVERGNE, Tenn. (UPI) — Bridgestone Tire Co. Ltd. plans to install robots at the former Firestone plant it bought for \$52 million, but says they will not replace any workers. Bridgestone says it will spend about \$30 million to make changes necessary to produce its tires at the facility. The changeover will be complete in about 18 months.

Charter declares stock split

Charter Bancshares Inc. has declared a 3-for-2 stock split payable June 30 to shareholders of record June 21. The bank holding company's directors also have declared a second quarter cash dividend of 5 cents a share on its common stock and 2.5 cents a share on its class B common stock after the split. The dividends will be payable June 30 to shareholders of record on June 21.

THE REPUBLIC OF ECUADOR
C.E.P.E.

CALL FOR BIDDINGS ON SERVICE CONTRACTS
FOR THE EXPLORATION AND EXPLOITATION OF HYDROCARBONS
IN THE REPUBLIC OF ECUADOR

Corporacion Estatal Petrolera Ecuatoriana (C.E.P.E.), having been duly authorized by the "Special Biddings Committee", invites national and international companies, being these state or private, consortia or associations, to participate in the following special biddings:

- 1. Amazon Region (on-shore), special bidding no.:**
001-CEL-83 for block no. 8,
002-CEL-83 for block no. 12,
003-CEL-83 for block no. 13,
004-CEL-83 for block no. 15,
005-CEL-83 for block no. 16,
006-CEL-83 for block no. 20, and
007-CEL-83 for block no. 21.
Each block has an area of up to 200,000 hectares.
- 2. Offshore Region, special bidding no.:**
008-CEL-83 for block no. 1,
009-CEL-83 for block no. 2,
010-CEL-83 for block no. 3, and
011-CEL-83 for block no. 4.
Each block has an area of up to 400,000 hectares.

The required legal documentation, as well as contract basis, model contract, general instructions, instructions to bidders, technical and economic data and information on each geographic region can be obtained from the "Unidad de Contrataciones de C.E.P.E.", located at 1021 Avenida Colon, suite 501, 5th floor, "Banco Continental" Building, Quito, Ecuador (Telex no. 2297-CEPE-ED or 2213-CEPE-ED, Phone 544-939, P.O. Box 5007 or 5008) for a non-refundable fee of fifty thousand dollars (USD \$50,000.00) which shall be deposited in C.E.P.E.'s Treasury, located at "Alpallana" Building, 1st floor, Calle Alpallana y Avenida 6 de Diciembre, Quito, Ecuador.

Bids will be accepted at the Secretary's Office of the "Special Bidding Committee", located at "Alpallana" Building, 9th floor, Calle Alpallana y Avenida 6 de Diciembre, Quito, Ecuador, until 17:00 hours, Monday, October 17, 1983.

Calm. Raul Jaramillo de Castillo.
General Manager of C.E.P.E.
Secretario del Comité Especial de Licitaciones.

Note: For further information contact:
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