

The Revenue Rescuer

The Art of
**Cash Flow
Management**

detroit girlfriday

TOGETHER, WE CAN DO GREAT THINGS

START WITH THE BASICS

Cash flow is the movement of money in and out of a business over a specific period of time. It is a crucial aspect of financial management, as it reflects the net change in liquid assets.

TERMINOLOGY YOU NEED TO KNOW

Cash inflow - Cash coming into the business

Cash outflow - Cash going out of the business

Positive cashflow - Inflow of funds exceeds outflow

Negative cashflow - Outflow of funds exceeds inflow

YOU WANT

POSITIVE CASH FLOW

WHY?

Positive cash flow provides a surplus allowing a foundation for growth, investment opportunities, and financial stability.

Negative cash flow on the other hand can lead to financial challenges, debt accumulation, and potential business disruptions.

Monitoring and understanding cash flow patterns are essential for making informed financial decisions and ensuring long-term sustainability.

MEASURING CASH FLOW WITH

THE STATEMENT OF CASH FLOWS

LET'S BREAK THIS DOWN

The statement of cash flows is broken down into three components:

Operating Activities - Cash flow stemming from operating activities (i.e., sales and expenses)

Investing Activities - Cash flow stemming from purchasing or selling assets (i.e., selling the company car)

Financing Activities - Cash flow stemming from debt or equity activities (i.e., taking a loan or paying yourself as a draw)

HOW YOU

USE THE CASH FLOW STATEMENT

ANALYZING THE CASH FLOW REPORT

Allows you to assess your business' ability to generate cash, identify potential cash flow issues, understand how cash is being used, and make informed decisions about your businesses financial health and performance.

PULL YOUR CASH FLOW STATEMENT AND ASK YOURSELF THESE QUESTIONS:

Is my operating cash flow positive?

Is my operating cash flow greater than profits?

HOW YOU

ASSESS AND MANAGE CASH FLOW

PULL YOUR CASH FLOW STATEMENT AND ASK YOURSELF THESE QUESTIONS:

Is my operating cash flow positive?

No? Eliminate erroneous expenses

Is my operating cash flow greater than profits?

No? You need to work on shorten your accounts receivables window, work with vendors to lengthen your payables window, or consider ordering less inventory

ADDITIONAL TIPS FOR

MANAGING CASH FLOW

Influence an inflow of operating cash:

- Set up automatic reminders for unpaid invoices
- Review A/R Aging Report often to find trends of late paying customers and strategize to improve receivables time
- Implement a late payment fee policy
- Offer a minimal discount for customers that pay early or upfront

Remedy the hemorrhaging of outgoing cash

- Shop around for better prices
- Review your spending habits and eliminate expenses that are not necessary to run your business nor contribute to customer satisfaction

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Need Help With Your *Finances*?

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