

# CASH FLOW MANAGEMENT

A predictable and positive cash flow is the only way to be confident that your business is succeeding, and problem solving is critical to enabling a healthy cash flow. Unless you are aware of where your real problems exist, you're going to continue fumbling in the dark for solutions. Cash flow can be dependent on a number of factors, and it is important to understand the areas that have the biggest impact for the least amount of time. Establishing effective management strategies will provide your business with a steady foundation for a positive cash flow, so that you can focus on the future of your business.

- Effective Cash Flow Management requires:
- Knowing your Break-Even cash flow position
- Developing a 90 day plan for your sales and marketing
- Keeping up to date performance information
- Having a complete cash flow forecast
- Working on a Plan B for cash shortfalls

There are many facets of cash flow management that require experience and knowledge to be able to make changes, improvements and decisions around your financial operations. Facets such as understanding that profit doesn't equal cash flow surplus, the ability to implement plans that fix cash flow deficit, effective communication with lenders and suppliers in the event of cash flow challenges, and how to plan ahead and adapt to the ever changing landscape of your business.

This resource has been kindly provided by



If you have any questions, please call 0800 CHAMBER (0800 242 623).

**DATE: MARCH 2015** The Hawkes Bay Chamber of Commerce and the provider of this resource make all reasonable efforts to ensure that the information published in this resource is accurate and up-to-date. However the matters covered are subject to regular review and no warranty or representation can be provided regarding the accuracy of such information. The Hawkes Bay Chamber of Commerce and the provider do not accept liability for any losses or damage arising directly or indirectly from reliance on the information. [www.hawkesbaychamber.co.nz](http://www.hawkesbaychamber.co.nz)

## BREAKEVEN CASH FLOW

Having a positive cash flow is necessary for any business to function healthily, regardless of whether the business is profitable. A profitable business may not necessarily correspond to entirely healthy cash flow, as profit does not equal cash flow surplus. If your inflows are less than your outflows, you will face cash flow challenges. Determining your Break Even cash flow is important because it concerns the accessible cash in your bank account, and puts you in a position to progress towards freely generating sales and opportunities for your business. In calculation cash inflows and outflows you will understand the cash performance of your business and key obstacles to overcome, to fix a deficit or to grow cash flow. A Break Even Analysis takes into consideration the items not in profit and loss reports, to calculate your Break-Even cash flow.

- Cash flow includes the following items not in profit and loss reports:
- When cash is received for invoicing (typically the following month)
- When payments are made to suppliers
- Loan repayments
- Increases in working capital including inventory
- Asset purchases
- Owner drawings not classified as salary expenses
- Dividends
- GST

A succinct and complete analysis, factoring in all overlooked and sometimes hidden cash outflows, is the only way to determine when your business will be able to cover cash outflows and begin to make a surplus cash flow. It requires a significant amount of time and expertise to complete a thorough analysis and understand what changes need to be made to generate a healthy and positive cash flow for your business.

Improve your financial management skills and make better decisions to run your business. Understand different aspects of the financial performance and the drivers of performance.

This resource has been kindly provided by



If you have any questions, please call 0800 CHAMBER (0800 242 623).

**DATE: MARCH 2015** The Hawkes Bay Chamber of Commerce and the provider of this resource make all reasonable efforts to ensure that the information published in this resource is accurate and up-to-date. However the matters covered are subject to regular review and no warranty or representation can be provided regarding the accuracy of such information. The Hawkes Bay Chamber of Commerce and the provider do not accept liability for any losses or damage arising directly or indirectly from reliance on the information. [www.hawkesbaychamber.co.nz](http://www.hawkesbaychamber.co.nz)

## BREAKEVEN CASH FLOW

Having a positive cash flow is necessary for any business to function healthily, regardless of whether the business is profitable. A profitable business may not necessarily correspond to entirely healthy cash flow, as profit does not equal cash flow surplus. If your inflows are less than your outflows, you will face cash flow challenges. Determining your Break Even cash flow is important because it concerns the accessible cash in your bank account, and puts you in a position to progress towards freely generating sales and opportunities for your business. In calculation cash inflows and outflows you will understand the cash performance of your business and key obstacles to overcome, to fix a deficit or to grow cash flow. A Break Even Analysis takes into consideration the items not in profit and loss reports, to calculate your Break-Even cash flow.

- Cash flow includes the following items not in profit and loss reports:
- When cash is received for invoicing (typically the following month)
- When payments are made to suppliers
- Loan repayments
- Increases in working capital including inventory
- Asset purchases
- Owner drawings not classified as salary expenses
- Dividends
- GST

A succinct and complete analysis, factoring in all overlooked and sometimes hidden cash outflows, is the only way to determine when your business will be able to cover cash outflows and begin to make a surplus cash flow. It requires a significant amount of time and expertise to complete a thorough analysis and understand what changes need to be made to generate a healthy and positive cash flow for your business.

Improve your financial management skills and make better decisions to run your business. Understand different aspects of the financial performance and the drivers of performance.