

Key elements of a cash flow statement

Importance of monitoring cash flow

Identifying and managing cash flow red flags



Cash Flow Management is the planning of its future cash requirements to avoid a crisis of liquidity.



Cash Flow Management

- ▶ At its simplest, cash flow management means delaying outlays of cash as long as possible while encouraging anyone who owes you money to pay it as rapidly as possible.



Cash is king

- ▶ Golden rule, whoever has the gold makes the rule....
- ▶ Liquidity is the rule of the game



Key elements of a cash flow statement

- ▶ How much cash in the form of customer payments, interest earnings, service fees, partial collections of bad debts, and other sources of cash are we going to get in, and when?



Key elements of a cash flow statement

- ▶ Cash on Hand
- ▶ Cash in Bank
- ▶ Receivables
- ▶ Interest Income
- ▶ Service fee
- ▶ Sale of assets



Key elements of a cash flow statement

- ▶ The second part of making accurate cash flow projections is detailed knowledge of amounts and dates of upcoming cash outlays



Key elements of a cash flow statement

- ▶ Deposit Withdrawals
- ▶ Accounts Payable
- ▶ Loans Payable
- ▶ Salaries
- ▶ Rent
- ▶ Utilities
- ▶ Professional fees and Legal fees
- ▶ Dividend





TIMING

Cash flow forecasting is very important because if a business runs out of cash and is not able to obtain new finance, it will become insolvent

Importance of monitoring cash flow

- ▶ The key to managing cash shortfalls is to become aware of the problem as early and as accurately as possible



Importance of monitoring cash flow

- ▶ As difficult as it is for a business owner to prepare projections, it's one of the most important things one can do," Steve Mayer.



Importance of monitoring cash flow

- ▶ “Cash Flow Projections rank next to business plans and mission statements among things a business must do to plan for the future.” Steve Mayer.



Identifying and managing cash flow red flags

- ▶ Delay in releasing payroll
- ▶ Delay in paying bills
- ▶ Delay in releasing loans
- ▶ Difficulty in releasing deposit withdrawals
- ▶ Offering extravagant interest rates for time deposits



Identifying and managing cash flow red flags

- ▶ Avail bank loans before the short fall comes
- ▶ Improve collections, introduce incentives for early payments of receivables
- ▶ Develop relationship to maximize credit to the hilt.
- ▶ Involve the shareholders to add additional capital
- ▶ Sell idle assets or convert asset to leasing arrangements
- ▶ Convince all the employees to be part of the solution



-Thank you