The Right Way to Manage Your Cash Flow

Are you managing your cash flow, or is it managing you?

It's the 10th of the month – do you know what your cash position will look like at month's end? This simple question plagues most companies' finance departments and is surprisingly difficult to answer – especially because QuickBooks does little to help. As a result, most people rely on spreadsheets or memory to manually catalog outgoing invoices and incoming payments in order to project monthly cash flow. But this ad hoc approach isn't the only answer. Improved **cash flow analytics** and better management of accounts receivable can help you accurately project (and have time to correct) end-of-the-month net cash flow in 3 simple steps.

1 // What's coming in?

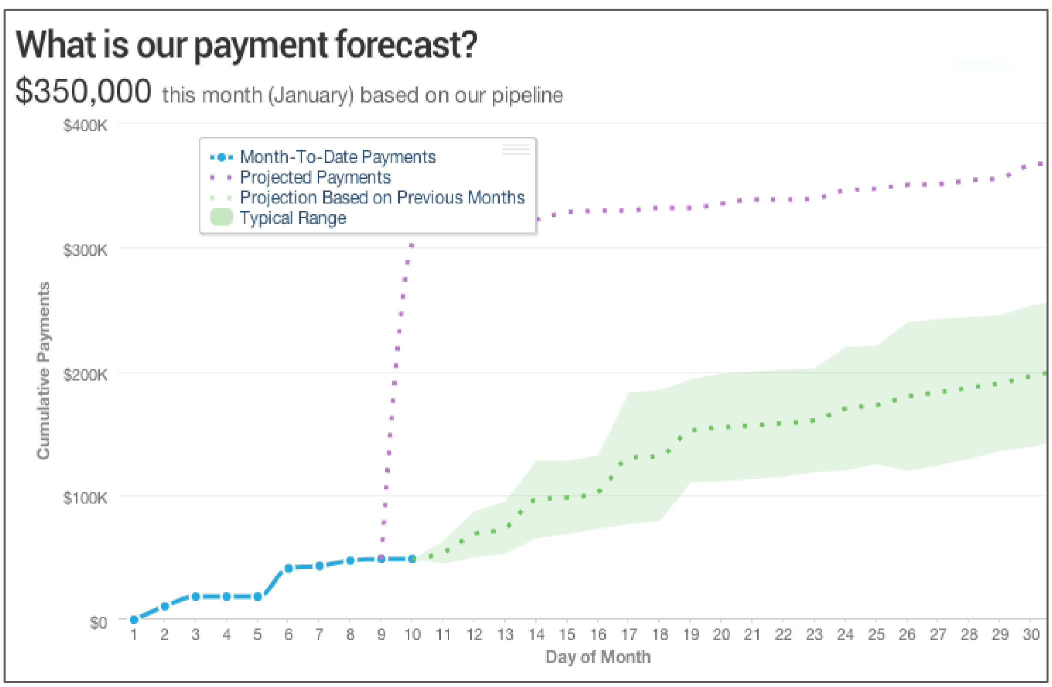
What receivables are expected to come in before the end of the month? This is not simply a list of your payments due – a truly accurate picture must incorporate the **payment histories of each specific customer** and the age of their receivables so that you can proactively manage your incoming cash flow and meet your net cash flow target.

2 // What's going out?

The other half of the equation is the bills you must pay before month's end. This is a fairly complicated collection of fixed and variable costs including recurring monthly costs and one-off expenses, so projecting the total can be tough, especially for bills that haven't arrived yet. But by **analyzing your historical payments** and factoring in **accrued expenses** and **liabilities**, you can predict the variance between your projected monthly cash flow and your goal.

3 // How to correct the variance?

Once you know what your cash flow is projected to look like at month's end, it's time to start thinking about **which levers you can pull** to ensure that you end up in the right place. If you're going to be short, you may want to tweak your collection process and more aggressively work the largest, oldest or most punctual invoices. Is your cash situation critical enough that you should offer customers an incentive – such as a credit or discount – to pay upon receipt or in advance? If your cash shortfall can't be remedied, you may want to manipulate the timing of cash outflows by lagging certain payments or taking advantage or trade-credit agreements.



Whatever your cash flow goals, better financial analytics will help you proactively manage your cash flow and accurately predict end-of-month cash position.

Sick of QuickBooks coming up short? Contact:
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