10 Ways to Be King of Your Cash Flow

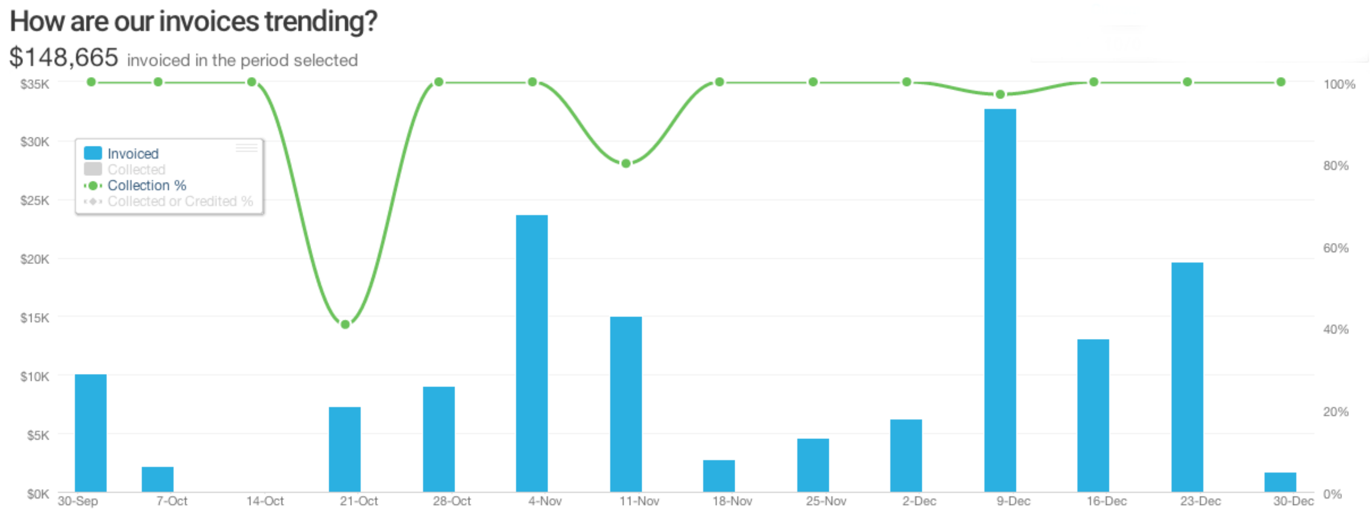
Cash flow is the lifeline of all businesses, and managing it is vital to determine how much cash your company has, and how much it needs. It also provides insights into where you get money, where you spend it and how much your expenses affect growth potential. Managing cash flow is often a struggle for many business owners, but it doesn't have to be. Follow these 10 steps to become king of your cash flow.

1 // Create a Cash Flow Forecast

A **cash flow forecast** will help predict your annual profits versus end-of-year debt, and will also allow insight into where you're making the most money and where there is still outstanding revenue. By organizing all monthly costs such as sales, credit and funding ahead of time, you can easily set financial goals and project future cash flow.

2 // Invoice Frequently

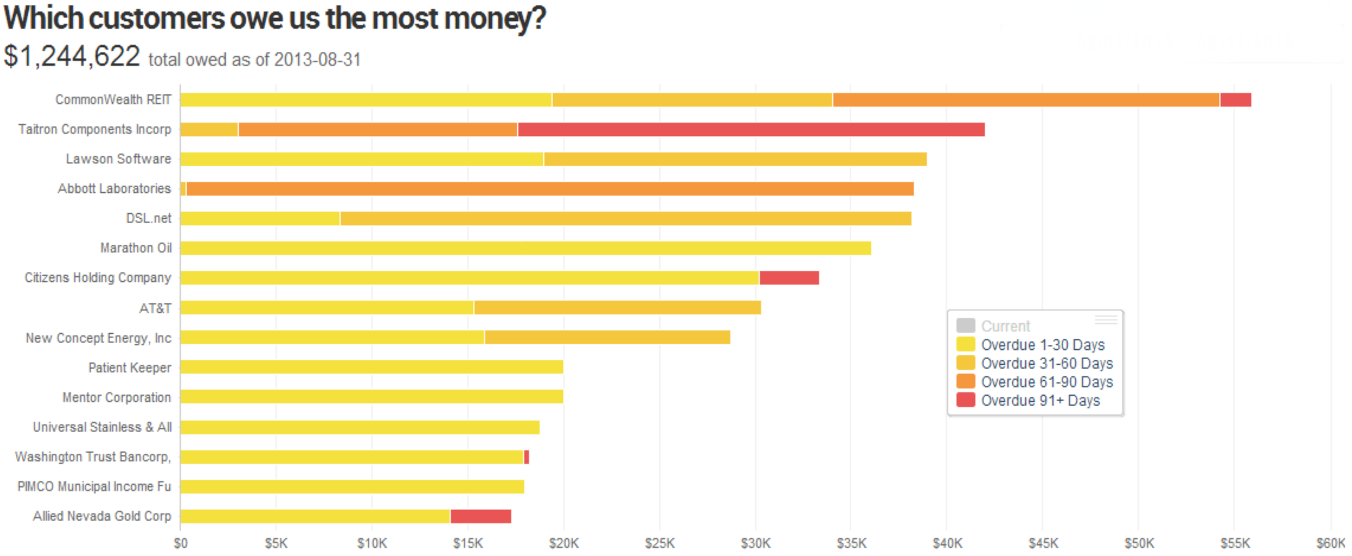
Don't leave your invoicing until the end of the month! **Invoice as soon as the job is done** to speed up the payment process, which will dramatically improve your cash flow. Issue invoices promptly and follow up immediately if payments are coming in slowly. Remember, if you delay invoicing, your payments will also be delayed, and this can jeopardize your cash flow goals.



The figure above shows revenue trends over time. By understanding how revenue and collections are trending, you can become more efficient at invoicing customers and collecting revenue without errors.

3 // Improve Receivables

Boost cash flow by accelerating the time it takes to turn receivables into cash. For example, offer discounts to customers who pay their bills quickly, require credit checks, and set up online payment methods. Tracking accounts receivable allows you **to take immediate action on slow-paying customers**. Effectively managing accounts receivable can mean the difference between being cash flow positive or negative..



4 // Manage Payables

The devil is in the details. Examine costs carefully, **especially when expenses are rising faster than sales**. Spend cash wisely and, when possible, make payments electronically. Also, carefully consider vendor discounts or low supplier costs, as this could lead to expensive loans. Sometimes flexible payment terms, rather than cheaper terms, can improve your cash flow in the long-run.

5 // Figure out Your Burn Rate

Determine **how much capital you go through every month**, including costs that keep your business afloat when you're not producing any revenue. Staying on top of your burn rate will give you insights into when your business will run out of money, when it will break even and when it will start to make a profit.

6 // Know Your Bank Balance

What is your bank balance right now? Remember, this is not just the number in your bank account, it also includes transactions that have not yet gone into the bank, as well as payments that have not yet cleared. Best practice: Deduct any further payments made from the previous month's balance to determine how much cash you actually have.

7 // Know Your Customer

Don't always assume that your customer is good for their money. Do some research before agreeing to any monetary exchanges; make basic online checks, speak to other suppliers and use a credit reference agency to make sure that the customer can afford to pay you. In the same respect, know your customers' invoicing process to speed up invoicing. What information does the customer need from you? Not knowing this information will only create delays on your end.

8 // Monitor Assets

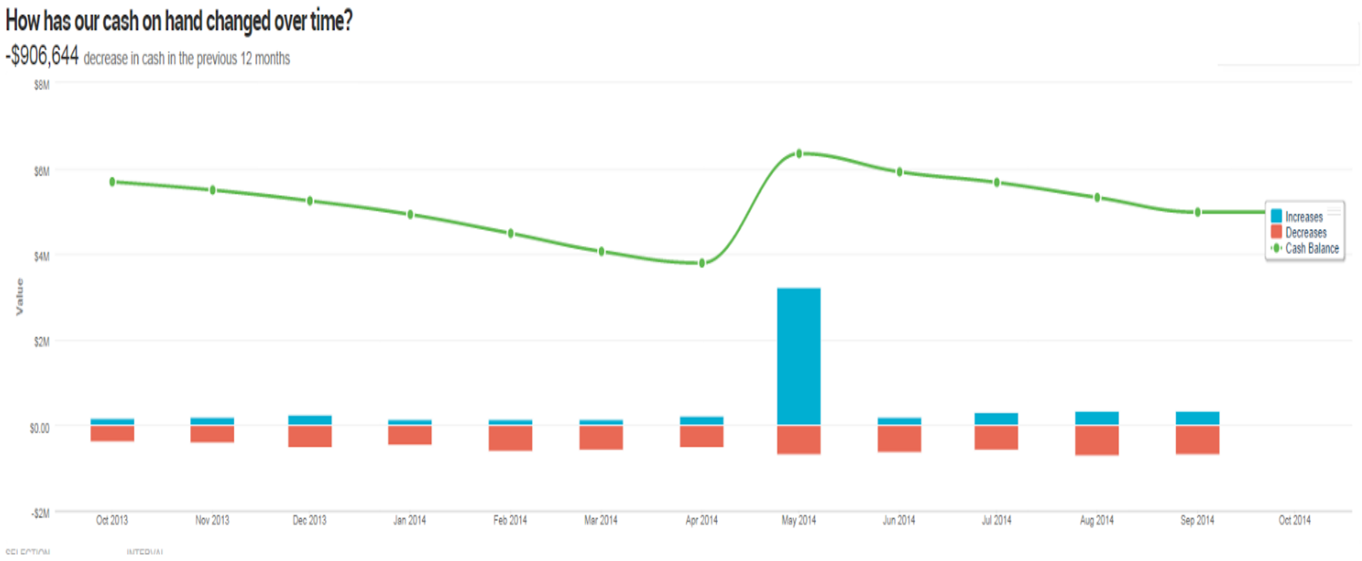
Excess assets can reduce cash reserves and create a strain on your ability to pay unanticipated expenses. To free up some additional cash for a quick improvement in flow: Monitor all ordering, analyze sales patterns, examine and forecast inventory, evaluate current suppliers and identify potential alternatives.

9 // Set Clear Payment Terms

Spell out payment terms on every invoice. Include a specific due date that clearly communicates your expectations, enforce late fees and also use positive incentives for early payment. Giving customers a good reason to pay on time, or early, will help incoming cash flow.

10 // Understand Your Cash Position Trend

Have you been bringing in enough revenue (especially through new bookings) to keep your cash flow high? Are your expenses rising too fast for incoming cash to keep up? Only by tracking your cash balance over time can you tell if you are in danger of running out of cash. Make sure to know your gross margins for every product and avoid any making large orders before checking that you have enough cash flow. These small steps can help ensure that you have the requisite cash available to run your business.



Want to learn more how financial analytics
can give you better insight into your cash position?

sales@insightsquared.com

INSIGHTSQUARED