



# STRATEGIES FOR Success

## Keep the Cash Flowing

*Keep your business alive by learning the basic techniques of cash flow management.*

**M**any companies develop financial problems because they don't understand basic cash flow management techniques.

To keep your business from becoming a financial casualty, ask yourself these questions to see if they are designed to focus your attention on the most critical component of the company—**Cash Flow**.

- **How long does it take to collect receivables?**
- **Is your payroll bi-weekly?**
- **Do you review daily cash forecasts and compare those numbers to actual results at least once a week?**
- **What is your monthly break-even point?**
- **How many days of sales are invested in inventories?**

Basic cash flow principles were established in the early 1900s. Small businesses would keep track of their cash from a box. The box which contained the day's business receipts was used to pay salaries and purchase inventories and supplies. To be able to operate the next day, it was very important that the box contained some cash in it at the close of the business day.

This was cash flow planning in its simplest form. By adhering to the same basic principle any company will be helped to keep financially sound.

Begin by having your Fiducial consultant prepare a daily cash flow forecast for a six week period.

Review the forecast daily. The goal is never to spend more cash than what is collected each day.

Organize receipts and disbursements by category and date. Most receivables and payables are scheduled by specific payment dates.

Altering payment practices often provides a permanent improvement in cash flow. For example, converting a weekly payroll into a bi-weekly payroll provides instant cash flow, allowing the company to meet other cash requirements.

To increase daily and monthly cash flow, every major expense category needs to be periodically examined. Determination needs to be made as to what can be done to hold down expenses. Some of the items to review include reducing stale inventory, reorganizing departments, computerizing functions, downsizing operations and shortening manufacturing cycle times.

Even though business activities now are more complicated than they were at the turn of the last century, the basic cash flow philosophy remains the same. Proper cash-flow management techniques will keep your company healthy.

**To obtain a cash flow management forecast, consult our Fiducial affiliated office for assistance and information.**

Mark E. Gabriel

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