



Maximize Your Cash Flow

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1 Introduction

The goal of good cash flow management is to have a positive cash flow in order to meet your financial obligations. In a perfect world, a cash inflow (a cash sale) would occur with every cash outflow (pay an expense). In the real world, however, cash inflows often occur after cash outflows (usually 30 days), leaving you short of cash. Cash flow management offers a number of strategies to narrow or close the gap in outflows and inflows so that you have enough money when you need it.

How to use this tutorial

Using this tool is pretty straight forward and simple. This tutorial divides the tool into three main sections:

First, is the **Report Header** data. This information will be entered at the top of the form and is printed at the top of the generated report.

Next, is the **Cash Flow Analysis** section. This is where the numbers entered are distributed and shown in a graph as a forecast.

The last element of this tool is the **Recommendations** area. This area will provide you with suggestions on how you can maximize your cash flow for future business growth and prosperity.

Once you've entered the site at <http://cashflow.businessintel.ca/> you'll see the tool in the browser. Some of the entry fields will have values and others

will remain empty until you fill them in with your own information. This tutorial will take you through the process of filling each item in, and will provide you with user information along the way.

Graphic 1 - Screen shot of the Cash Flow tool

Business Intelligence
www.businessintel.ca

Maximize Your Cash Flow

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Business model

[How to use this tool](#)

Name Date August 3rd, 2008

SBA name

SBA Phone number

Starting cash \$10000 [more info](#)

Personnel Costs \$5000 [more info](#)

First/Current month sales \$15000 [more info](#)

Fixed Costs \$4000 [more info](#)

Other Costs \$0 [more info](#)

Cost of goods sold (% of sales) [more info](#)

Months of inventory kept on hand [more info](#)

Monthly sales growth

Report Header

The report header is the top most section of the Cash Flow tool, as pictured in Graphic 2 below.

This section requires you to enter information regarding the company the report is being prepared for.

Graphic 2 - Report Header fields

Name	<input type="text"/>
SBA name	<input type="text"/>
SBA Phone number	<input type="text"/>

Cash Flow Analysis

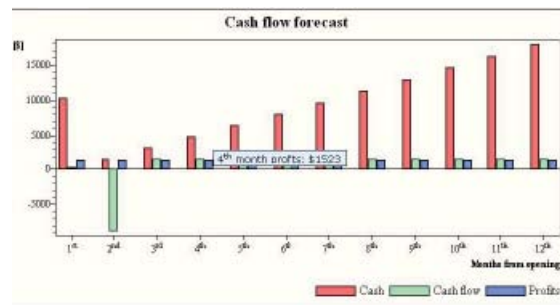
The cash flow analysis section of this tool allows you to enter information about your company's cash holdings, expenses and other data that will impact your cash flow.

This section is the heart of the Cash Flow analysis tool. The values entered here will be used to create the results graph (Graphic 4 below), and to make

recommendations for improving your cash flow.

Accuracy will be very important when entering values here. Once you have entered all your data in this section, you'll be ready to read your recommendations and review the Cash Flow analysis graph.

Graphic 4- Cash Flow analysis graph results



Graphic 3 - Cash Flow analysis fields

Starting cash \$ <input type="text" value="10000"/> more info	Personnel Costs \$ <input type="text" value="5000"/> more info
First/Current month sales \$ <input type="text" value="15000"/> more info	Fixed Costs \$ <input type="text" value="4000"/> more info
Cost of goods sold (% of sales) <input type="text" value="30"/> % more info	Other Costs \$ <input type="text" value="0"/> more info
Monthly sales growth <input type="text" value="0.5"/> % more info	Months of inventory kept on hand <input type="text" value="1"/> more info
Sales on credit <input type="text" value="75"/> % more info	Initial inventory balance \$ <input type="text" value="5000"/> more info
Collection days <input type="text" value="60"/> more info	Starting receivables \$ <input type="text" value="0"/> more info
	Starting payables \$ <input type="text" value="3000"/> more info
	Payment days: <input type="text" value="30"/> more info

Recommendations

Once all the entries have been completed in the Cash Flow Analysis section the tool will analyze the numbers and make recommendations for how to improve and maximize your cash flow.

These recommendations will change each time you make a change to one of the fields in the Cash Flow Analysis section.

You will also be able to create a formatted, professional report with all the data entries, graph report and recommendations.

The report is generated in an Adobe Reader format for easy distribution to other team members.

Graphic 5 - Recommendations section

Based on your answers above we recommend the following strategies to maximize cash flow

- **Get your customers to pay you as soon as possible**
- **Ask customers to pay cash for their purchases.**
- **Ask customers to pay a deposit on a large order.**
- **Adopt aggressive collection policies. Invoice promptly. Follow up on overdue invoices immediately.**
- **Shorten your average collection time.**
- **Consider cash discounts for early payment of invoices.**
- **Reduce your overhead. Consider renting/leasing equipment. Subcontract certain work rather than employing someone to do it.**
- **Increase cash sales and decrease credit sales by offering Merchant Services so customers can pay by credit card.**
- **Offer discounts in exchange for prompt cash payments.**
- **Consider increasing your prices.**
- **Reduce inventory levels by holding a sale.**
- **Ask a supplier to take back surplus or obsolete stock.**
- **Negotiate better prices or extended credit.**
- **Find an alternative supplier.**

2 Data Entry

A cash flow management plan is only as good as the numbers you provide. To get the best results from this tool you will want to collect the best data available.

Data Items

Below is the information that will be required to utilize this tool, along with a brief description of each item. The numbers correspond to the numbers in Graphic 1 below, so you know where each of these items will be entered into the tool.

1. Name - name of the individual providing the data
2. SBA Name - business name
3. SBA Phone Number - business phone number
4. Date - date the data was entered into the form, and the report was generated
5. Starting cash - The more cash you put into your business, the lower your need for business financing.
6. First/Current month sales - The amount of sales estimated for the first month.
7. Cost of goods sold (% of sales) - The total cost of purchasing or producing the goods sold, as a percentage of the total amount of sells [slider option].
8. Monthly sales growth - Intuitively, greater sales should increase cash flow. Businesses that grow aggressively, however, often deplete their cash reserves to support the growth and therefore, require more financing. A large portion of their sales are made on credit, thereby increasing their receivables, not their cash. Further, inventory is depleted and needs to be replaced for future sales [slider option].
9. Sales on credit - Cash sales are the best for cash flow because you receive payment immediately. Greater sales on credit has a negative effect on cash flow, and therefore, greater need for business financing [slider option].
10. Collection days - The longer your terms of credit, the greater the need for outside financing. Your goal is to reduce your terms of credit in order to reduce your financing needs [slider option].
11. Personnel Costs - Costs with the personnel by month.
12. Fixed Costs - Fixed costs by month.
13. Other Costs - Other monthly costs for running the business.
14. Months of inventory kept on hand - Your goal is to turn over inventory as fast as possible. Excess inventory on hand, ties up cash and creates greater financing needs. The greater your inventory, the greater your Starting Cash requirement is [slider option].

15. Initial inventory balance - The more inventory you require, the greater your need for financing. Service industries do not have inventory.
16. Starting receivables - If you have a new business, you most likely have zero receivables.
17. Starting payables - Applies to businesses that are already in operation.
18. Payment days - The longer your payment days, the better it is for your cash flow. Your goal is to bring cash into the company as quickly as possible, then hold onto your cash as long as possible.

information. First, numbers can be entered in whole, or integer values. Second, this is a dynamic tool, so changes made to one of the variables will change the forecast and recommendations automatically. Finally, there are two types of data entry fields. The first requires you to type in a number, and the second is the slider option. This option allows you to click the slider with your mouse key. Once you have clicked, hold the mouse key down and move the slider either left or right to change the value of the particular variable.

Once you have entered all the required data you will be able to create an output report to verify your data and print for your records (see Chapter 5).

Data Entry Considerations

There are only a few considerations to keep in mind while entering this

Graphic 6 - Data Entry Guide

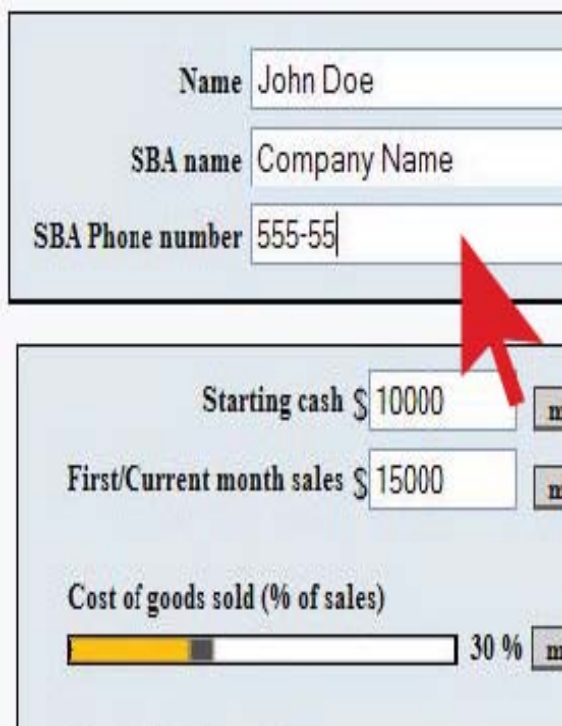
Business model
How to use this tool

1. Name
2. SBA name
3. SBA Phone number
4. Date
5. Starting cash \$10000 [more info](#)
6. First/Current month sales \$15000 [more info](#)
7. Cost of goods sold (% of sales) [more info](#)
8. Monthly sales growth [more info](#)
9. Sales on credit [more info](#)
10. Collection days [more info](#)
11. Personnel Costs \$5000 [more info](#)
12. Fixed Costs \$4000 [more info](#)
13. Other Costs \$0 [more info](#)
14. Months of inventory kept on hand [more info](#)
15. Initial inventory balance \$5000 [more info](#)
16. Starting receivables \$0 [more info](#)
17. Starting payables \$3000 [more info](#)
18. Payment days: [more info](#)

Report Header Information

To begin filling in the entries for your report the easiest is to start at the top and work your way down. As shown in Graphic 3 below, begin with your name, the name of your organization, and the organization's phone number.

Graphic 7 - Title Entries



The screenshot shows a form with three input fields: 'Name' containing 'John Doe', 'SBA name' containing 'Company Name', and 'SBA Phone number' containing '555-55'. Below these is a section for 'Starting cash \$ 10000', 'First/Current month sales \$ 15000', and 'Cost of goods sold (% of sales)' with a slider bar set to 30%. A red mouse cursor is pointing at the 'SBA Phone number' field.

This information will show up at the top of your report. If you would rather not have this information show up on the final report, simply leave all the entry boxes blank, and these lines will be eliminated on the final report.

Report Date

Data Item 4 is the report date. This item does not require any changes. The current date will be included in this field when the cash tool loads into your web browser.

Cash on Hand

The Cash on Hand fields, Data Items 5 and 6 from Graphic 6 above, is where you will enter any cash you have on hand (starting cash) and any current cash from sales (first/current month sales) at the time of the report. The more cash you put into your business, the lower your need for business financing.

These fields are dynamic, and will update the *Cash Flow Analysis* graph view, and the recommendations, as soon as they have been entered.

Graphic 8 - Cash on Hand Entries



The screenshot shows two input fields: 'Starting cash \$ 10000' and 'First/Current month sales \$ 15000'.

Sale Information

The next section, Data Items 7, 8, and 9 from Graphic 6, as for expected sales information values for your business. These values are displayed as percentages.

Each field is dynamic, and will change the visual *Cash Flow Analysis* graph and recommendations in the report immediately after a change to the value has been made.

To make changes to the values in these fields, hold your mouse over the black square, located on the bar, as indicated in Graphic 9 below.

Hold down the mouse button as you move the slider left and right, to change the percent value for each field. Release

the mouse button when you have reached the desired value.

Graphic 9 - Sales information entries



Cost Entries

Date Items 11, 12, and 13, from Graphic 6 above provide an area for you to enter expense values.

First, Data Item 11, is for Personnel Costs. As with other field data entries, type your value into the box next to the appropriate title to make changes.

These three fields are dynamic; once the entries have been changed the *Cash Flow Analysis* graph and the recommendations will also change.

Graphic 10 below indicates the entry field box for Personnel Costs.

Graphic 10 - Cost Entries



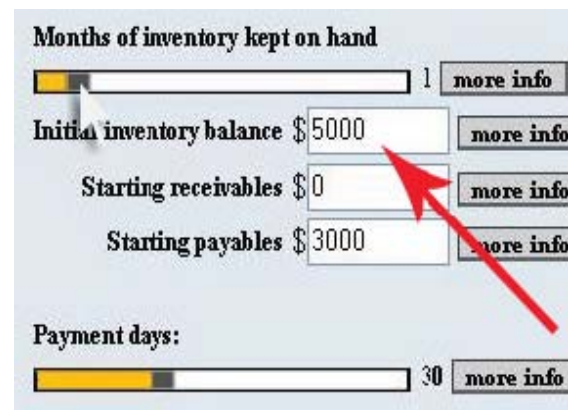
Inventory & Receivables

Date Items 14-18, from Graphic 6 above, allow you to enter data related to Inventory values and your company receivables.

As with other sections, these areas require both data entry fields, such as the Initial Inventory balance, as well as slider fields, such as the Months of inventory kept on hand.

All fields are dynamic, and will change the values in the *Cash Flow Analysis* graph and the recommendations.

Graphic 11 - Inventory & Receivables



3 Cash Forecast Analysis

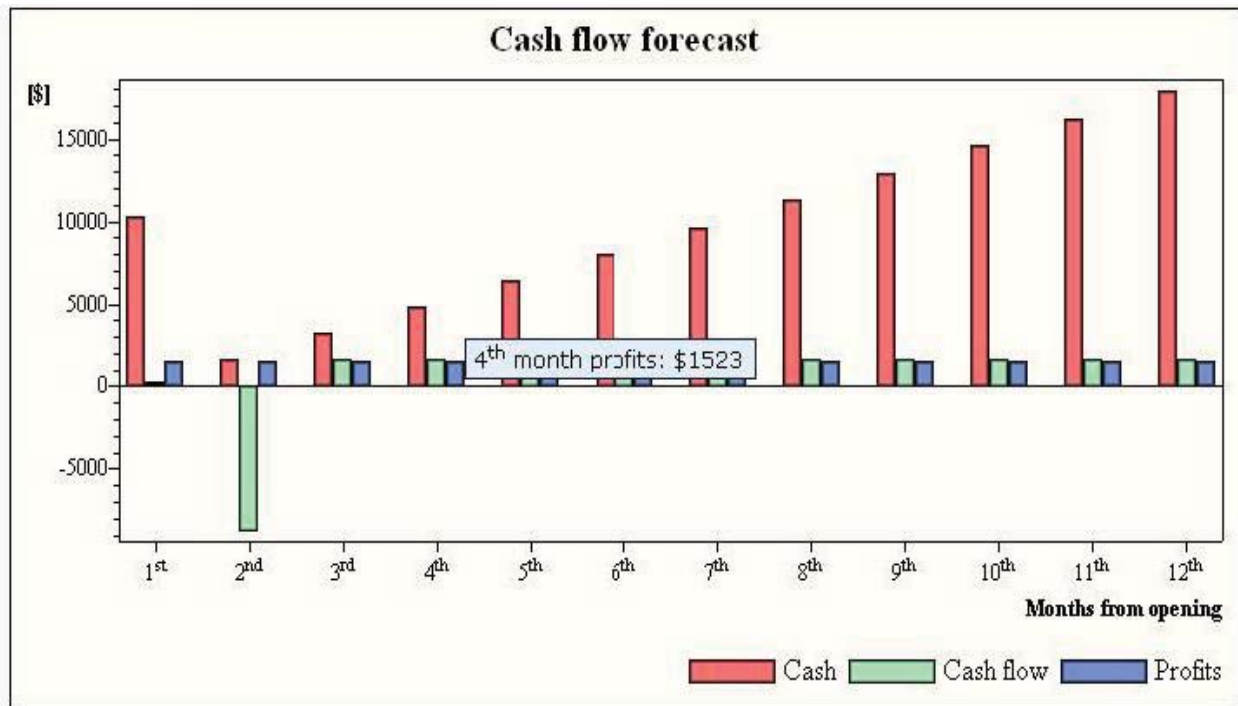
Now that you have compiled your data and entered the information into the appropriate field in the tool you will be able to view the resulting Cash Forecast graphic, as shown in Graphic 2 below.

This graph provides you with a view of what your cash flow will look like in the future provided cash considerations do not change from those entered earlier in the Data Entry phase.

Three values are provided in the graph: 1) cash; 2) cash flow; and, 3) profits. Each colored bar represents values corresponding to those indicated to the right of the graph.

You can read the value of each bar in one of two ways. First, hovering over each bar with your mouse will reveal the exact dollar value of each bar as well as the period that value resides in (see Graphic 12 below).

Graphic 12 - Reading graph results



4 Recommendations & Reports

This analysis tool can provide you with a better understanding of your cash flow today, as well as provide you with recommendations and strategies to help you improve your cash flow future.

Once all the data has been entered in the form you will see at the bottom of the tool the Recommendations section (shown in Graphic 13 below).

These recommendations will help you make decisions that can improve your cash flow.

By changing any of the dynamic fields in the Data Entry areas, these recommendations may change as you make changes to the data entry fields, so you will want to watch them closely as you change the information.

A sample of a generated report can be seen on the last page of this document, Graphic 15.

Creating your Report

At the very bottom of the Cash Flow tool you'll see a long yellow button with the words "Click here to generate a pdf document with this information." This is how you will generate your personalized

Graphic 14 - Strategies & Financial Options

Based on your answers above we recommend the following strategies to maximize cash flow

- Get your customers to pay you as soon as possible.
- Ask customers to pay cash for their purchases.
- Ask customers to pay a deposit on a large order.
- Adopt aggressive collection policies. Invoice promptly. Follow up on overdue invoices immediately.
- Shorten your average collection time.
- Consider cash discounts for early payment of invoices.
- Reduce your overhead. Consider renting/leasing equipment. Subcontract out work rather than employing someone to do it.
- Increase cash sales and decrease credit sales by offering Merchant Services customers can pay by credit card.
- Offer discounts in exchange for prompt cash payments.
- Consider increasing your prices.
- Reduce inventory levels by holding a sale.
- Ask a supplier to take back surplus or obsolete stock.
- Negotiate better prices or extended credit.
- Find an alternative supplier.
- Make a part payment.
- Pay by Business Visa.

Financial options

Speak to an SBA for your lowest cost financing options:

- **Business Visa:** A Business Visa helps you manage your cash flow by providing you with 30 days free financing. Further, reward points can be redeemed for cash goods from participating vendors.
- **Merchant Services:** To help you collect money immediately, use Merchant Services to increase your cash sales. Merchant Services convert sales to cash much sooner than receivables and reduce the time and effort you spend on collections.
- **LOC:** Appropriate if cash flow needs are short-term due to seasonal business fluctuations, to make emergency purchases or to narrow the gap between month's end payables and receivables.
- **LOAN:** Appropriate to finance equipment or real estate because it allows you to spread payments over the average life of the assets. Also appropriate in growth situations where inventory was sold on credit and now needs to be replenished for future sales.

report.

Clicking this button will create your report and generate an Adobe Reader PDF file. How

Graphic 13 - Creating your report

- than receivables and reduce the time and effort you spend on collections.
- **LOC:** Appropriate if cash flow needs are short-term due to seasonal business fluctuations, to make emergency purchases or to narrow the gap between month's end payables and receivables.
- **LOAN:** Appropriate to finance equipment or real estate because it allows you to spread payments over the average life of the assets. Also appropriate in growth situations where inventory was sold on credit and now needs to be replenished for future sales.

Click here to generate a pdf document with this information.

your system handles this file will depend upon how it is setup.

In most cases, a new browser window will open up, and your PDF file will open inside this window.

Other system settings may ask you to choose a location on your harddrive to save the file. Once the file has been saved, you will be able to double click on the file name and open the report.

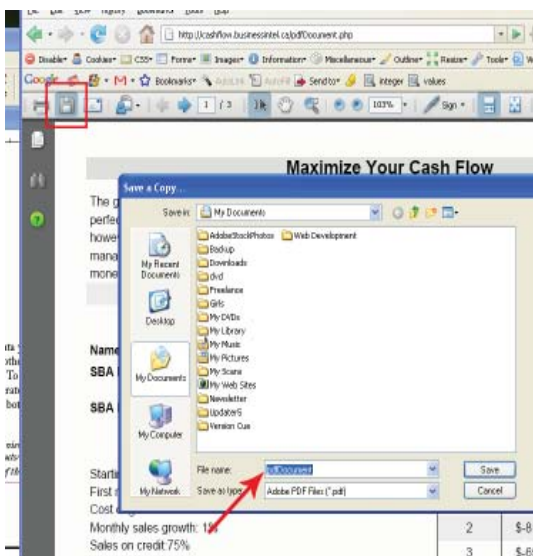
Saving the results

Once you have entered the necessary data you will likely want a hard copy to provide others for analysis, or to look over in more detail. To generate your report click “Click here to generate a pdf document with this information” at the bottom of the tool page.

Once you have clicked the link to generate the report an Adobe PDF document will open in a new browser window. *

This file can now be printed, or to save the file to your desktop click the “save” icon (see Graphic 4), choose the location you wish to save the document, rename and save. Your document can now be printed or reviewed at any time.

Graphic 14 - Saving your report



* The free Adobe Reader software is required to view PDF documents. Go to <http://www.adobe.com/products/acrobat/readstep2.html> to download the latest version of this software.

Maximize Your Cash Flow

The goal of good cash flow management is to have a positive cash flow in order to meet your financial obligations. In a perfect world, a cash inflow (a cash sale) would occur with every cash outflow (pay an expense). In the real world, however, cash inflows often occur after cash outflows (usually 30 days), leaving you short of cash. Cash flow management offers a number of strategies to narrow or close the gap in outflows and inflows so that you have enough money when you need it.

Business model

August 3rd, 2008

Name: John Doe

SBA Name: Company Name

SBA Phone No: 555-555-1212

Model parameters

Starting cash: \$2500
 First month sales: \$20000
 Cost of goods sold: 52% of sales
 Monthly sales growth: 12%
 Sales on credit: 48%
 Collection days: 60
 Personnel costs: \$3500
 Fixed costs: \$2000
 Other costs: \$1250
 Initial inventory balance: \$10000
 Months of inventory kept on hand: 1
 Starting receivables: \$1200
 Starting payables: \$4000
 Payment days: 60

Projections for 12 months

Month	Cash	CashFlow	Profits
1	\$11500	\$9000	\$2850
2	\$21490	\$9990	\$3192
3	\$26728	\$5238	\$3575
4	\$31821	\$5093	\$4004
5	\$37526	\$5705	\$4485
6	\$43915	\$6389	\$5023
7	\$51070	\$7156	\$5625
8	\$59085	\$8014	\$6300
9	\$68061	\$8976	\$7056
10	\$78114	\$10053	\$7903
11	\$89374	\$11260	\$8852
12	\$101985	\$12611	\$9914

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- Get your customers to pay you as soon as possible
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