



***6 Ways to Increase
Your Business Cash Flow***

***Thursday, September 10, 2020
@ 10 am PST***

Your Presenter



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Partner



Today's Agenda

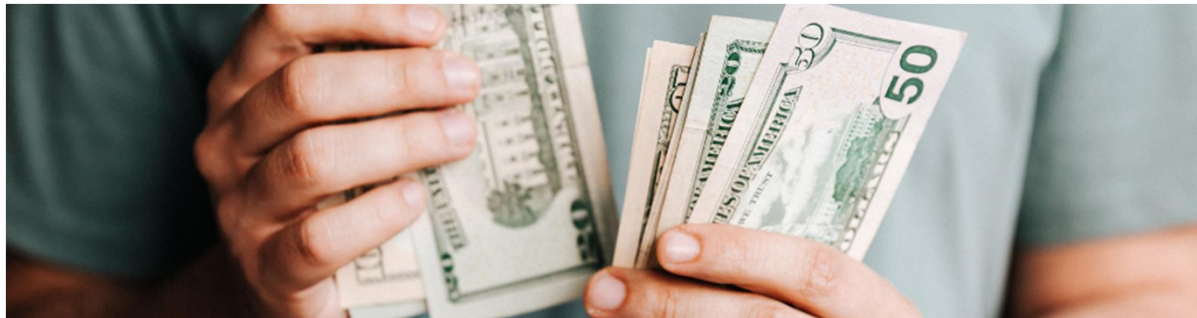
- What is Cash?
- The Importance of Understanding Your Cash Flow
- 6 Ways to Improve Cash Flow
- How to Project Cash Flow using a simple excel sheet
- How to Project Cash Flow with ProfitCents

What is Cash?

- Is it what you have in your bank account at a certain point in time? – NO
- Cash is not just what is in your bank account:
 - Add back **deposits in transit**.
 - Back out **outstanding checks**.
 - You want to look at what happens if all checks you have written were **cashed ALL at once**.

What is Cash?

- In our industry, we have a saying “Cash is King” meaning:
 - If you have cash, you have a lot of possibilities
 - If you do not have available cash, then your operations and possible company growth during uncertain times you will be limited



Importance of Understanding Your Cash Flow

- You can't just understand where you are today, you have to understand where you will be.
- Understand what bills you can pay and when.
- Understand what income you will be taking in.



Ways to improve cash flows:

Action item #1

- **Making Payments**

- Take advantage of payment terms. Take advantage if the invoice calls for special payment terms. 2/10 net 30 (2% discount if paid within 10 days).
- If you don't have any special payment terms, wait until the payment is due.

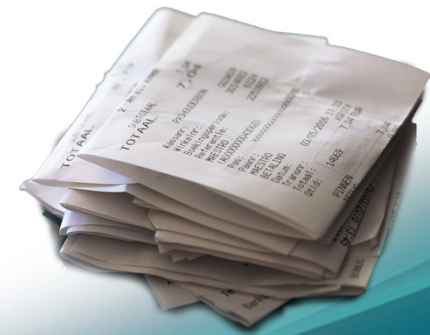


Ways to improve cash flows:

Action item #2

- **Receipts – Get Paid**

- Possibly provide special payment terms for your customers.
- Make sure sales invoices are sent out as quickly as possible.
 - *Know your customer – know who the contact who should be receiving the invoice at the company is so that it gets processed quickly rather than getting passed around at the client.
- **Hire a good A/R (account receivables) collections clerk.**
- Deposit checks immediately.



Ways to improve cash flows:

Action item #3

- **Know Your Inventory**

- Inventory = Cash
- Do not hold all of your cash up in inventory. Hold enough to have it on hand when a customer purchases it, but don't have too much where it is just sitting on the shelves.
- Hold less of your slow movers and more of your fast movers.



Ways to improve cash flows:

Action item #4

- **Renegotiate**
 - Meet with vendors, supply providers, freight companies, phone and internet services, etc.
 - Often times, there are automatic rate increases that take place every year, and a simple phone call to your vendors can result in an extension of the previous rate that was being paid.



Ways to improve cash flows:

Action item #5

- **Obtain a Line of Credit**
 - Even if you don't need it right away, it is good to have one in times of uncertainty or growth.
 - If you cannot obtain a line of credit, some alternatives are:
 - A. Try increasing balance of credit cards.
 - B. Factoring receivables (easier to obtain, but higher fees).
 - C. SBA 7(a) loans (collateralized, but competitive).

Ways to improve cash flows:

Action item #6

- **Create a budget**
 - Research areas that are over-budget.
 - Input budget into accounting software.
 - Compare budget to actual.



Importance of Projecting Your Cash Flows

- During these uncertain times, how much longer can you truly survive on this activity without going into **the red**?
- Can your company withstand growth?
- We need to understand all situations and the best way to do that is with cash flow projections.



How to Project Cash Flows



- Adam provides a simple excel schedule:
 - This will help you plan for what is coming in and what is going out.
- What-if scenarios using excel to show how your cash position will be if you make different decisions – **weekly, monthly, yearly.**

How to Project Cash Flows



- What-if scenarios with ProfitCents:
 - How increasing/decreasing **collection of receivables** will impact you.
 - How increasing/decreasing **payment of payables** will impact you
 - How increasing/decreasing **days inventory on hand** will impact you.

How to Project Cash Flows



- ProfitCents can help you plan for future events such as:
 - Seasonality in your business
 - Purchasing assets
 - Through Cash
 - Through Financing
 - Increase or decrease in revenues
 - Increase or decrease in costs of revenues
 - Increase or decrease in contract costs (rent, insurance)
 - Increase or decrease in payroll costs and how that can impact your bottom line.
 - How financing equipment will effect your future cash flows.

Q & A

LSL 

Upcoming Webinar

Your Plan B: Financial Planning During COVID-19

Wednesday, September 16, 2020

10:00 am PST

*Robert Dalie, CFP, Managing Director of Investments of
The Summa Group | Oppenheimer & Co. Inc.*

and

Maria Arriola, CPA, Partner, LSL CPAs



Thank you from

LSL 

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