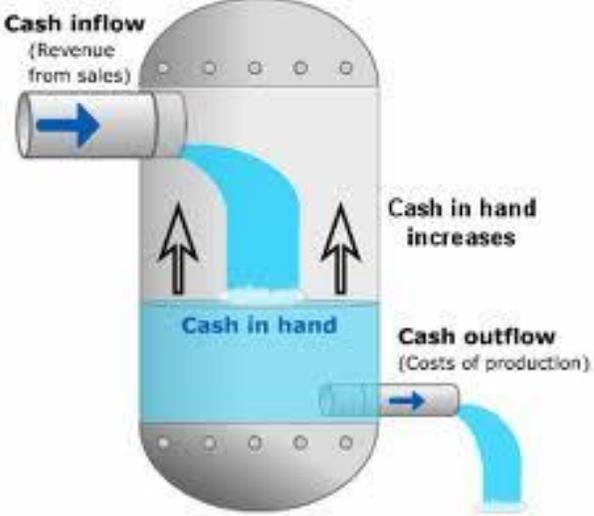


Cash Flow

When you're out of cash, you're out of business!

<p>Sale of products, service, etc.</p> <p>Equity and/or debt financing</p>		
		
		<p>Payroll Inventory Utilities Rent Taxes Interest Loans Etc.</p> 

- *When CASH INFLOW is consistently larger than CASH OUTFLOW = business is profitable and sustainable*
- *If and when Cash goes out faster than Cash comes in, = business could bankrupt even when profitable*

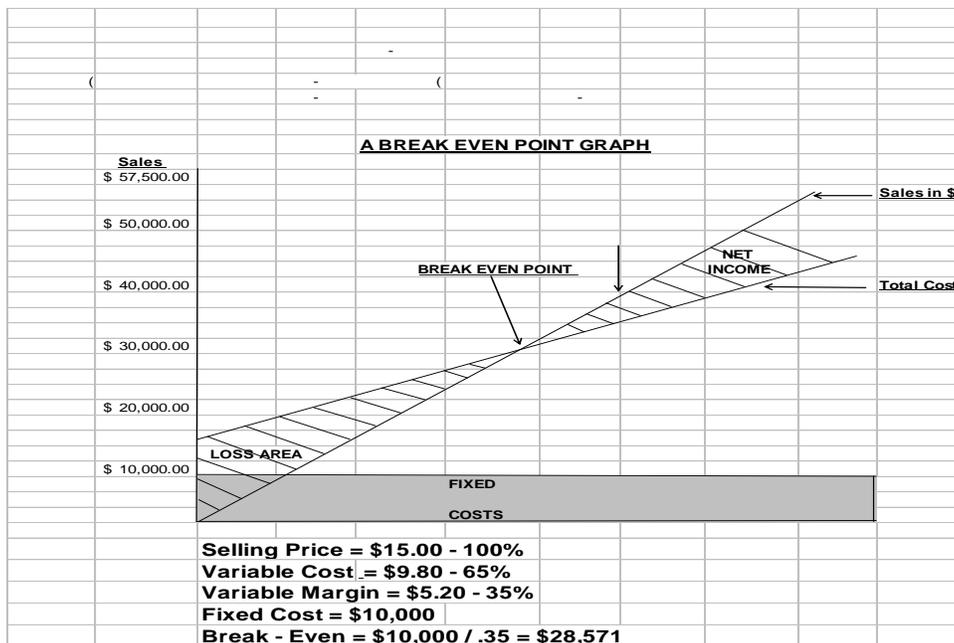
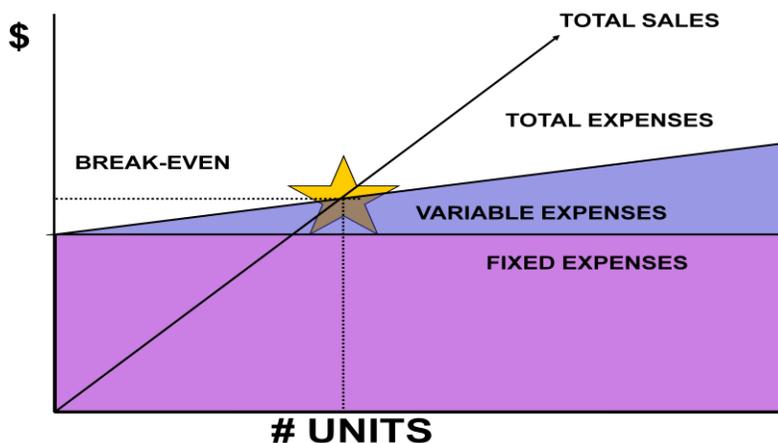
Cash Flow defined...

Cash Flow is simply the difference between the cash flowing INTO and OUT OF a business over the course of an accounting period

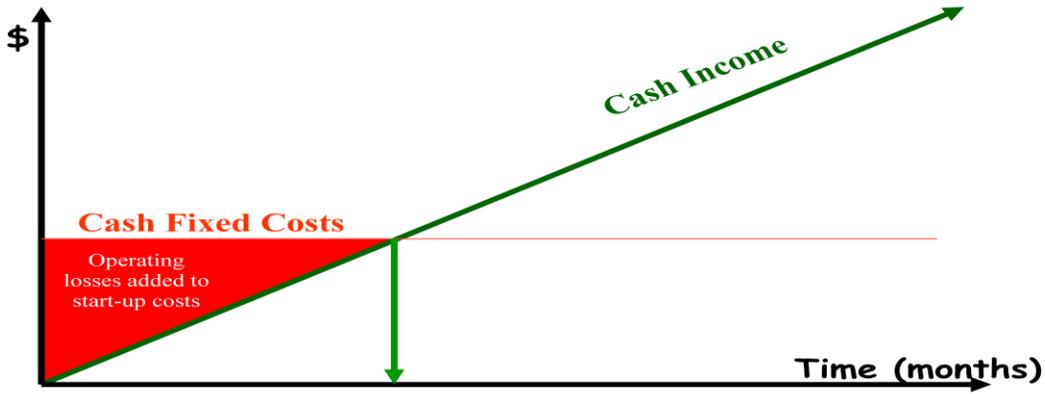
Cash Flow is a “net” figure:

- ✓ Cash flow is positive when actual receipts exceed actual disbursements
- ✓ Cash flow is negative when cash flowing out exceeds cash flowing in

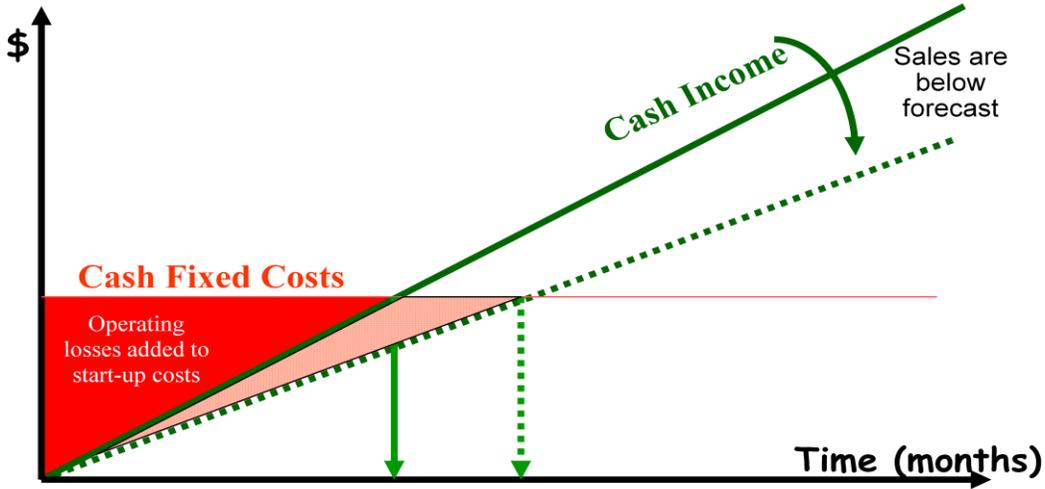
Break-Even Analysis



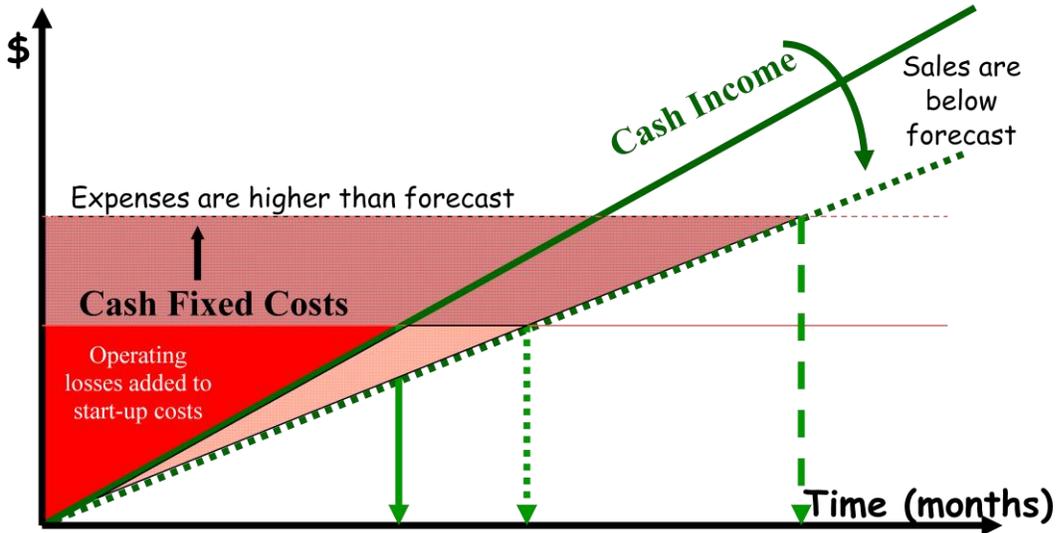
Break-Even Analysis



Over-estimating Income



Under-estimating Expenses



This is an example of a simple cash flow statement.

It helps you identify exactly how much cash you'll need to cover the expenses for any particular period.

	Month 1	Month 2	Month 3
Beginning Cash	Beginning Cash	Beginning Cash	Beginning Cash
Plus:	Plus:	Plus:	Plus:
Revenues from Sales	Revenues from Sales	Revenues from Sales	Revenues from Sales
Payments from Customers	Payments from Customers	Payments from Customers	Payments from Customers
Additional Cash from Loans/Equity			
Minus:	Minus:	Minus:	Minus:
Operating Expenses (Rent, Utilities, Advertising, etc.)			
Taxes	Taxes	Taxes	Taxes
Insurance	Insurance	Insurance	Insurance
Inventory	Inventory	Inventory	Inventory
Payroll	Payroll	Payroll	Payroll
Loan interest and principal			
Ending Cash	Ending Cash	Ending Cash	Ending Cash

Anns Nursery Fixed Operating Expenses	
Fixed Operating Expenses	Monthly
Percent Change	
Expenses	
Advertising	\$ 600
Car and Truck Expenses	800
Bank & Merchant Fees	-
Contract Labor	-
Conferences & Seminars	100
Customer Discounts and Refunds	-
Dues and Subscriptions	-
Miscellaneous	-
Insurance (Liability and Property)	400
Licenses/Fees/Permits	-
Legal and Professional Fees	150
Office Expenses & Supplies	200
Postage and Delivery	100
Rent (on business property)	300
Rent of Vehicles and Equipment	200
Sales & Marketing	300
Taxes-Other	200
Telephone and Communications	250
Travel	200

Anns Nursery Projected Sales Forecast		
Products and Services	Assumptions	%
Local Nursery Plant mix		
Price Per Unit	\$ 2,000.00	100.00%
Variable Cost Per Unit	\$ 1,100.00	55.00%
Gross Margin Per Unit	\$ 900.00	45.00%
Projected Unit Sales		
Seasonality Factor		
Year One		
Year Two Growth	10.00%	
Year Three Growth	10.00%	
Fixed Expense Allocation	50.00%	
Projected Revenue	\$ 250,000	
Variable Costs	137,500	
Gross Margin	112,500	
Fixed Expenses	35,534	
Profit	76,966	30.79%
Breakeven Sales Revenue	\$ 78,965.08	
Breakeven Sales Units	39	

Anns Nursery Salaries and Wages			
Salaries and Related Expenses	#	Assumptions	Wage Base
Percent Change			
Salaries and Wages			
Owner's Compensation	1		
Salaries	3		
Wages			
Full-Time Employees	0		
Estimated Hours Per Week		40.00	
Estimated Rate Per Hour		\$ 9.00	
Part-Time Employees	0		
Estimated Hours Per Week		20.00	
Estimated Rate Per Hour		\$ 9.00	
Independent Contractors			
Total Salaries and Wages	4		
Payroll Taxes and Benefits			
Social Security		6.20%	\$ 102,000
Medicare		1.45%	
Federal Unemployment Tax (FUTA)		0.80%	\$ 7,000
State Unemployment Tax (SUTA)		3.45%	\$ 7,000
Employee Pension Programs		2.85%	
Worker's Compensation		0.00%	

Anns Nursery Projected Cash Flow Statement - Year One			
	Jan	Feb	Mar
Beginning Cash Balance	3,000	3,000	3,000
Cash Inflows			
Income from Sales	3,000	3,000	3,000
Accounts Receivable	-	3,000	7,000
Total Cash Inflows	3,000	6,000	10,000
Cash Outflows			
Investing Activities			
New Fixed Assets Purchases	-	-	-
Inventory Addition to Bal.Sheet	-	-	-
Cost of Sales	-	5,500	5,500
Operating Activities			
Salaries and Wages	7,834	7,834	7,834
Fixed Business Expenses	4,300	4,300	4,300
Taxes	-	-	-
Financing Activities			
Loan Payments	1,346	1,346	1,346
Line of Credit Interest	-	70	157
Line of Credit Repayments	-	-	-
Dividends Paid	-	-	-

	@ Start-Up (\$)	Month 1 (\$)	Month 2 (\$)	Month 3 (\$)
Cash On Hand, Beginning		5,000	500	0
Cash Receipts:				
Sales		1,500	2,000	2,000
Loans	8,000			
Total Cash Receipts	8,000	1,500	2,000	2,000
Total Cash Inflows	8,000	6,500	2,500	2,000
Cash Paid Out:				
Start-up Costs	3,000			
Payroll		1,000	1,000	1,000
Advertising		500	100	100
Legal/Acctng		700		
Office Equipmt		1,800	400	
Rent		800	800	800
Telephone		50	50	50
Insurance		1,000		
Interest		50	50	50
Taxes				
Loan Principal		100	100	100
Total Cash Outflows	3,000	6,000	2,500	2,100
Cash On Hand, Ending	+5,000	+500	0	-100

■ Hold everyone accountable

■ Monday Cash Meeting

- Previous week results / Scorecard
- Update cash flow forecast (expand to 13 wk)
- Who to pay this week
- Analyze results to budget
- Act on variances
- Visually plot progress / Scorecard
- Openly ask for rumors and respond to them

Critical Indicators

Not all management information comes from the accounting system.

There are indicators that will tell you how you are doing on a daily or weekly basis.

They are usually specific to your business.

Some Examples:

Units sold

Billable hours

Backlog of unfilled orders

Dangers to Cash Flow

- Low inventory turnover
- Slow pay receivables
- High interest expense; excessive debt
- Out of control expenses
- Too low selling price
- Missed discounts
- Shrinkage (inventory and cash)

WEEKLY CASH MANAGEMENT REPORT

FOR THE WEEK ENDING _____

Check Books	Regular	Payroll	SAVINGS ACCOUNTS	GRAND TOTALS
Opening Balance				
Deposits				
Subtotal				
Disbursements				
Closing Balance				

Cash Receipts			Cash Disbursements	
Cash Received			Purchases	
Other Receipts			Payroll	
Interest Income			Paid On Account	
Total Income			Total Disbursements	

Accounts Receivable			Accounts Payable	
Opening Balance			Opening Balance	
Weekly Billings			Purchases	
Sub Total			Sub Total	
Rec'd On Account		()	Paid on Account	()
Other Credits		()	Other Credits	()
Closing Balance			Closing Balance	
MONTH TO DATE BILLINGS				

	Last Wk	This Wk		Last Wk	This Wk
No Jobs in Progress			No. Field Employees		
New Jobs This Week			No. Field Hours Worked		
Jobs Completed			No. OT Hours		
			No. New Employees		
Proposal Requests			No. Emp Turnover		
Proposal Submitted					
Proposals Accepted			Service Income		
Proposals Rejected			Service Inc Booked		
			Service Inc Mailed		

	ACC REC	ACC PAY			
UNDER 30					
UNDER 60					
UNDER 90					
OVER 90					