

Cash Flow Management Matters

Cash flow management is one of the foundational elements of your business's financial picture. It involves knowing when your cash is coming in and managing your spending to your available cash. Revenue is the money that comes into your business, while cash flow management measures how much is coming in and how much is going out.

Are you using cash accounting or accrual accounting?

With the cash accounting method, your books will align with the amount of cash you have readily available. However, your cash flow management is essential if you are using the accrual accounting method. With the accrual accounting method, revenue is entered into your books when an invoice is generated. But the cash is not available until the customer pays the invoice.

Wondering how to manage your cash flow?

Here are five tips:

1. Generate cash flow statements and projections to analyze how money moves through your business.
2. Review your accounts receivables to determine if you can speed up payments or deposits.
3. Stay current on your bookkeeping to ensure your financial transactions are up to date.
4. Overspending can cause issues, so consider what you are purchasing and if it is a strategic purchase, or if the purchase can wait.
5. Review your cash flow projections often. The more you analyze how cash flows in and out of your business, the better you understand when you need to make adjustments.

Generating cash flow statements and projections can be done with your accounting software. We can help you improve your financial reporting, analyze your financial statements, and create plans that align to your growth goals. If you need assistance, give us a call.