Cash flow for small business success

Attendee handout

MY CASH CYCLE

Map your cash cycle for three months. This will help you understand how cash is flowing in and out of your business.

1. Label each month
2. Record cash in for each week
3. Record cash out for each week

Month												
Cash IN												
Cash OUT												

Bank balance

ACTION PLAN

Task	Complete
Gather your business figures	☐
Map your business cash flow and identify when it has positive and negative cash flow	☐
Complete the cash flow canvas with your business figures	☐
Analyse your business cash flow by asking the four key cash flow questions ▪ What is your cash position? ▪ How much do you need for your tax and super commitments? ▪ How much is available to spend? ▪ Has your business improved?	☐
Use the canvas to highlight areas of your business cash flow that are concerning you	☐
Use the 7 tips to identify ways you may be able to improve your business cash flow	☐
Test the tips by completing another canvas to see if they will give you the results you are looking for and continue to tailor your ideas until they give you a result you are happy with	☐
Implement your business improvement ideas and track their progress regularly by comparing current canvas figures against your previous canvas to see if your business is improving and also checking it against your target results	☐
Keep refining your business improvements	☐
Set up a regular date in your calendar to review your cash flow position using the cash flow canvas	☐

COMPLETING THE CANVAS

1. **Canvas type, time frame and frequency**: There are many ways you can use the canvas.

2. **Opening Balance:** What is in the bank account at the beginning of the selected period.

3. **Cash IN**: Start with the total cash received (including GST) and then break down into core products, services, customers or territories. Estimated splits are fine.

4. Record your **GST on sales** figure on the right in the yellow box.

5. **Total Cash In (excluding GST):** Total of the three income streams.

6. **Cash OUT:** Begin with total expenses (including GST) and then break down into major categories. There is no need to list all expenses. Just the major items are sufficient. The balance can go to Other.

7. **Record the tax and regulatory obligations** that arise from the Cash Out activities and list them in the yellow section on the right.

   GST on purchases: GST credits you can claim for business purchases are deducted from your tax obligations.

   PAYG Withholding: Financial commitment if you have staff; required to be sent to the ATO.

   Super: Financial commitment if you have staff; required to be sent to the superfund of your staff.

8. **Total Cash Out (excluding GST)**

9. Calculate the **Cash Surplus**: By subtracting the Cash Out excluding GST from the Cash In excluding GST. This figure answers the Cash Flow Fundamentals Question 1: What is my cash position?

10. **Income/Company tax**: Estimate the amount which the business will need to pay in income tax. Calculate this by multiplying the Cash Surplus by 25% (estimated tax rate).

11. **Total tax/super commitments**: This is an estimate of the total tax obligations. Total all of the amounts in yellow which need to be paid and subtract amounts you can claim. This figure answers Cash Flow Fundamentals Question 2: How much do I need to meet my regular financial commitments? The figure here should equal the amount the owner keeps as a cash buffer or in a separate bank account allowing for payments to be made during the year.

12. **Available to Spend:** Add the cash to the opening balance and deduct what is set aside for Income tax.

13. **Cash to owner:** are personal payments to yourself.

    Cash at bank (overdraft): is calculated by Available to spend less the amount of Cash to owner.

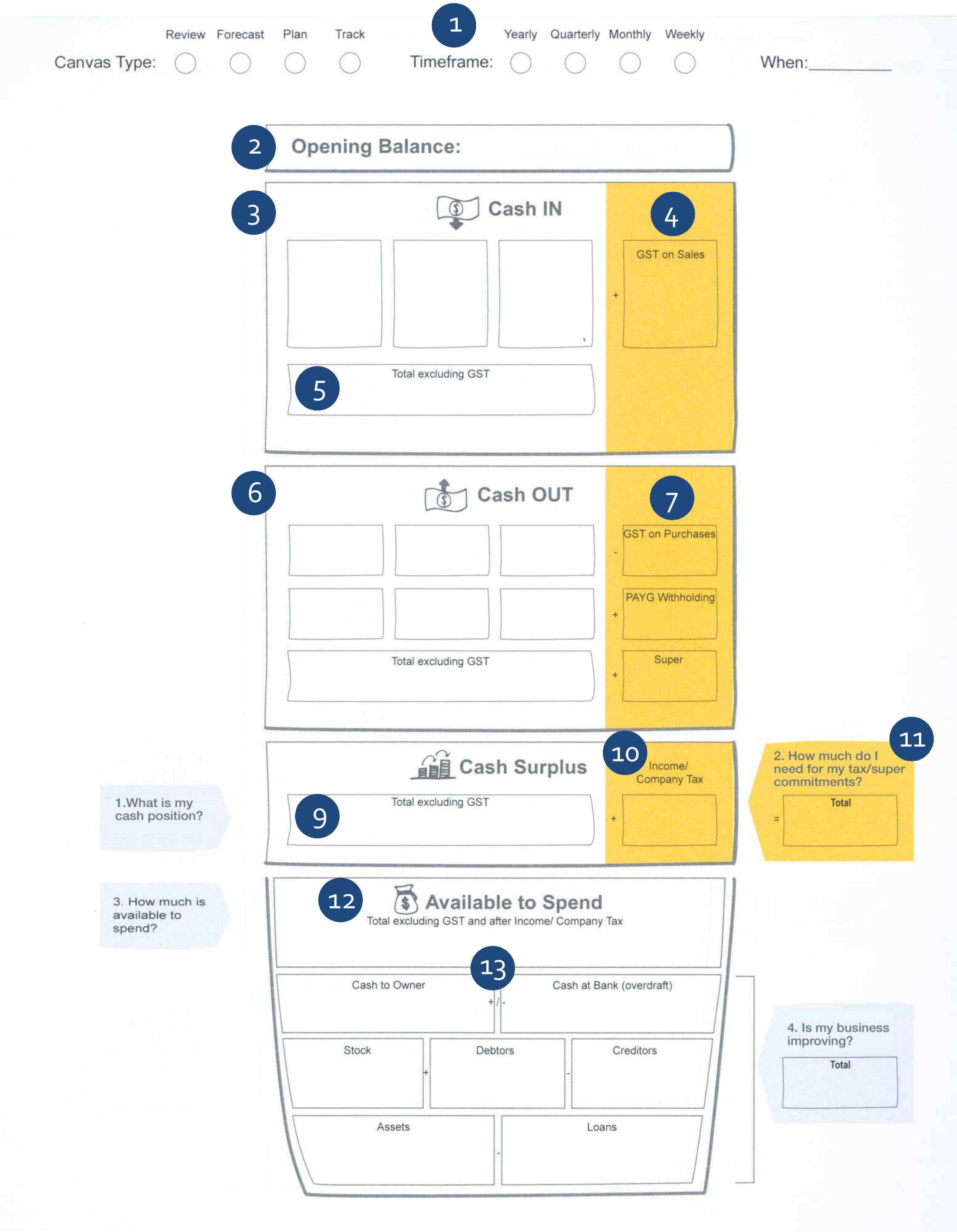
    Stock: is the amount of stock you have on hand.

    Debtors: is money owed to you by customers.

    Creditors: is stock you are yet to pay for.

    Assets: this is the amount of assets your business owns such as your company van.

    Loans: is the amount owing in business loans.


1
Canvas Type:
Review
Forecast
Plan
Track
Timeframe:
Yearly
Quarterly
Monthly
Weekly
When:
2
Opening Balance:
3
Cash IN
4
GST on Sales
+
5
Total excluding GST
6
Cash OUT
7
GST on Purchases
-
PAYG Withholding
+
Super
+
Total excluding GST
10
Cash Surplus
Income/ Company Tax
+
9
Total excluding GST
1.What is my cash position?
11
2. How much do I need for my tax/super commitments?
Total
=
12
Available to Spend
Total excluding GST and after Income/ Company Tax
3. How much is available to spend?
13
Cash to Owner
+/-
Cash at Bank (overdraft)
Stock
+
Debtors
-
Creditors
Assets
-
Loans
4. Is my business improving?
Total

KEY CONCEPTS SUMMARY

Cash flow management

Good cash flow management practices are vital for a strong and successful business. The challenge for your business is to ensure that you manage your cash flow so you don't run out of money. Using cash accounting means recognising cash in or out when you actually receive or spend it. Cash surplus or positive cash flow is when cash flowing in from sales is more than the amount of the cash flowing out through expenses, salaries, other operating costs and for your personal use. Cash deficit or negative cash flow occurs when your cash out is greater than cash in.

7 tips for maximising cash flow

Maximise cash in

Pricing considerations

- Focus on the most profitable customers, services or products
- Increase the value you deliver
- Change prices

Volume considerations

- Increase the number of potential customers
- Increase products or services
- Sell into a new market or territory
- Improve your sale process

Debtors considerations

- Invoice earlier
- Follow up
- Reduce terms
- Early payment discount

Minimise cash out

Asset considerations

- Sell underutilised assets
- Sell and lease back
- Refinance

Expense considerations

- Reduce discretionary spending
- Reduce overheads

Inventory considerations

- Reduce cost of stock and materials
- Improve terms with suppliers
- Clear obsolete or slow moving stock
- Amend ordering process

Staffing considerations

- Increase utilisation
- Change staff mix
- Employ staff
- Reduce turnover
- Match staffing levels to demand