

# BUSINESS ADVISORY

## Cash Flow Summary Sheet

Example of a business that is making profits and growing, but losing cash:

	Op. Bal.	Jul-20	Aug-20	Sep-20	Oct-20
<b>P&amp;L</b>					
Sales		\$1,000	\$2,000	\$3,000	\$4,000
Cost of Sales		<b>\$800</b>	<b>\$1,600</b>	<b>\$2,400</b>	<b>\$3,200</b>
Profit		\$200	\$400	\$600	\$800

<b>CASH FLOW</b>					
Cash In		\$0	\$1,000	\$2,000	\$3,000
Cash Out		<b>\$800</b>	<b>\$1,600</b>	<b>\$2,400</b>	<b>\$3,200</b>
Opening Bank		\$10,000	\$9,200	\$8,600	\$8,200
Closing Bank	\$10,000	\$9,200	\$8,600	\$8,200	\$8,000

**Note that the company receives cash from customers in the month after sales are made, but the cost of sales are physically paid in the month in which they are incurred.**

This results in profits of \$2,000 for the period, but a cash *outlay*. This is an example of **overtrading**, and the solutions for this include:

- Collecting cash from customers more quickly
- Extending credit terms with suppliers
- Obtaining external funding to manage cash flow
- Slowing growth to a manageable level

**For more information or to discuss your specific circumstances, contact Elena Lenda or Matthew Hastings – our experts.**



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# HOW CAN WE MANAGE Cash Flow?

## INCREASE CASH IN

### Collect cash from debtors:

- Review credit terms
- Charge interest/fees
- Require COD
- Calculate/review debtor days
- Appoint debt collector (internal or external)

### Taking out finance/loans:

- Review current funding
- Match funding to cash in
- Prepare cash flow projections

### Selling stock:

- Conduct stocktake for obsolete stock
- Calculate appropriate stock level
- Instigate procedures to maintain stock levels/avoid wastage

### Owner injecting funds:

- Identify when necessary
- Personal funding/security
- Repayment terms

## REDUCE CASH OUT

### Paying (reducing) suppliers/creditors:

- Review credit terms
- Ensure suppliers not paid early
- Request extended terms

### Paying off finance/loans:

- Review loan agreements
- Identify upcoming payments, especially balloon payments
- Refinance – interest free periods or lower repayments

### Owner drawings:

- Review amounts withdrawn
- Consider split of wages/dividends/drawings
- Personal expenditure paid by business

### Paying tax (Income/GST/PAYG):

- Minimise tax
- Review timing – e.g., annual/quarterly/monthly BASs
- Review PAYG Instalment levels
- GST calculation method – cash vs. accruals
- PAYG Withholding variations (s15-15)

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