

## **Understanding Cash Flow**

A Workshop Exclusively for Small Business Owners and Their Team

**Bottom Line – We Love Small Business™** 



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## **Cause and Effect**

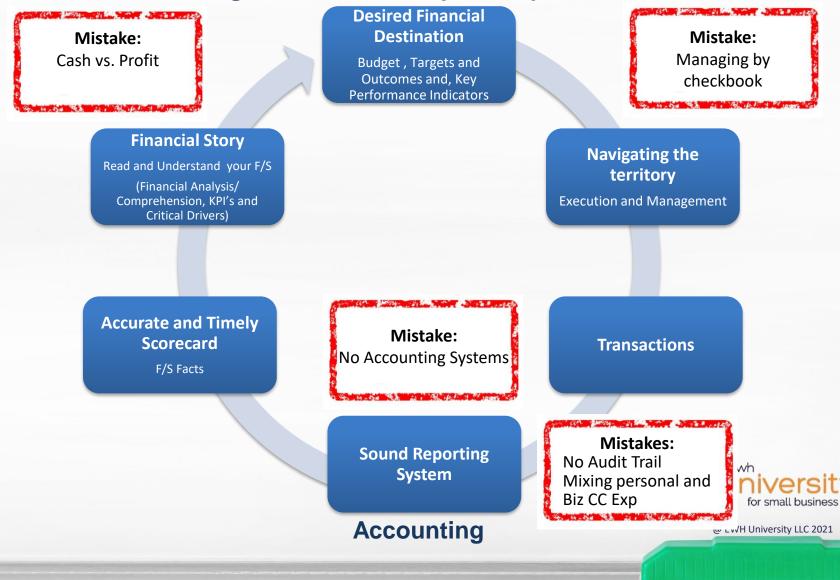
#### **Responding vs. Reacting**





### **Implementing a Numbers Based Strategy**

#### Management, Leadership and Operations



### **The 5 Critical Accounting Mistakes**

**Mistake # 1:** Mismanaging the company checkbook

Mistake # 2: Not having an accounting system in place

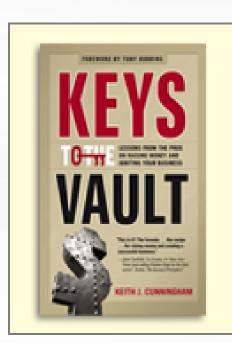
Mistake # 3: Not understanding your profit and cash position

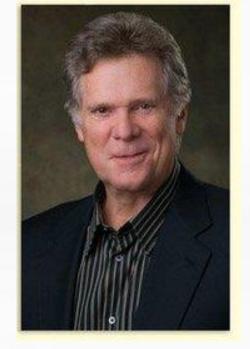
Mistake # 4: Unintentional credit usage: Mixing business purchases with personal purchases

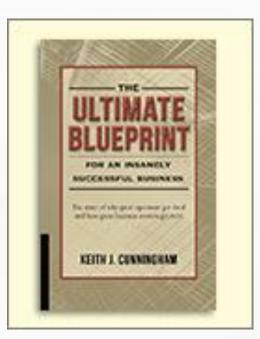
Mistake # 5: Lack of an Audit Trail for receipts and invoices



# Keith J. Cunningham



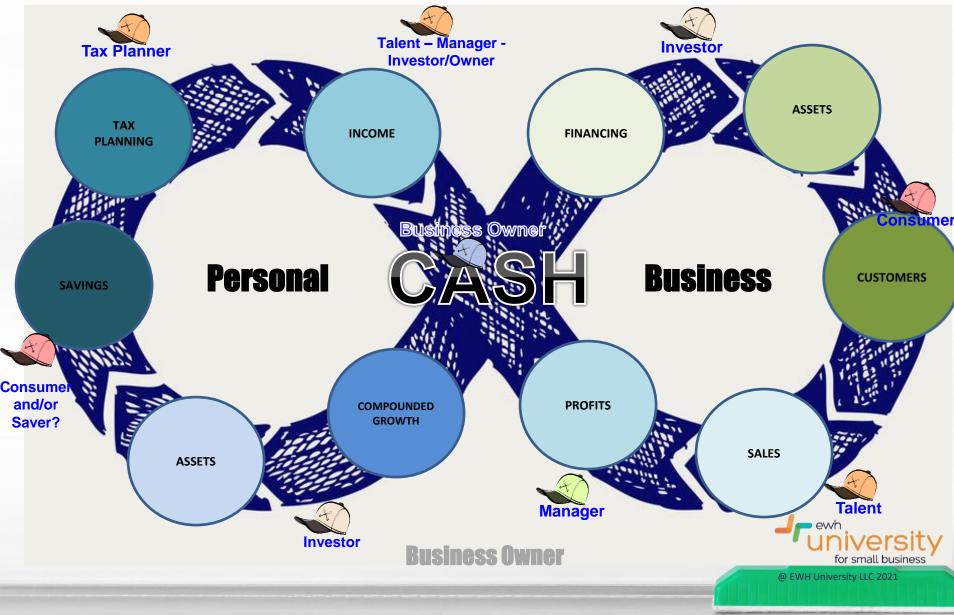




Author of: <u>Keys to the Vault,</u> <u>The Ultimate Blueprint For an Insanely Successful Business</u>, and <u>The Road Less Stupid</u>

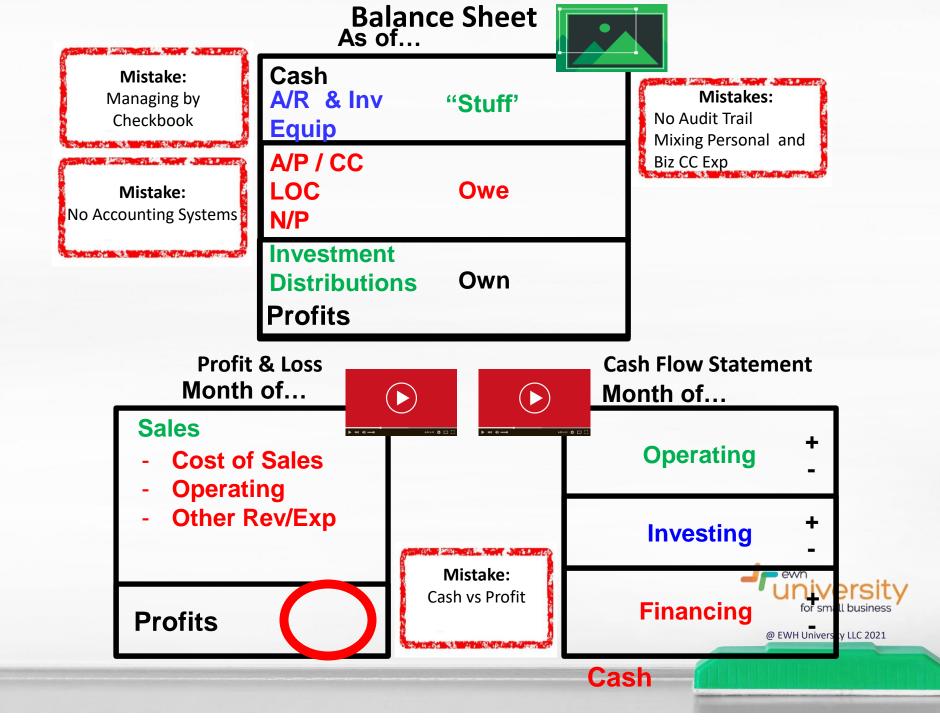
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# **The Cash Flow Track**

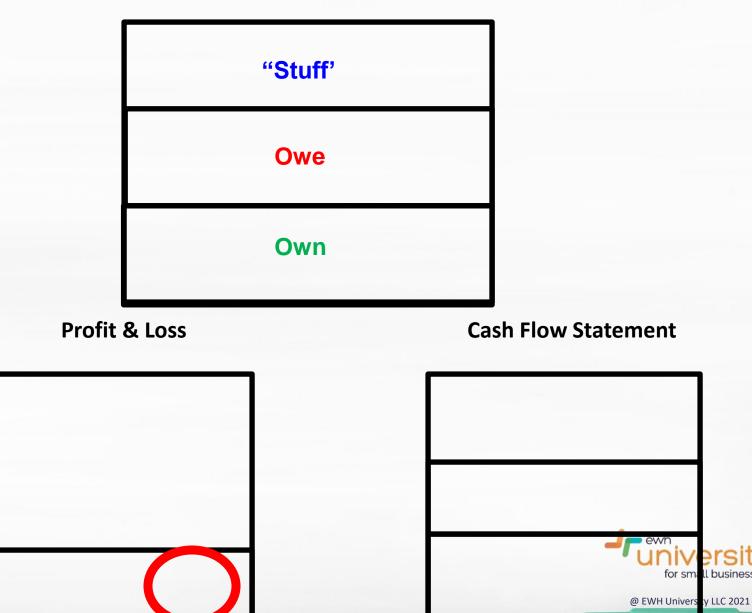






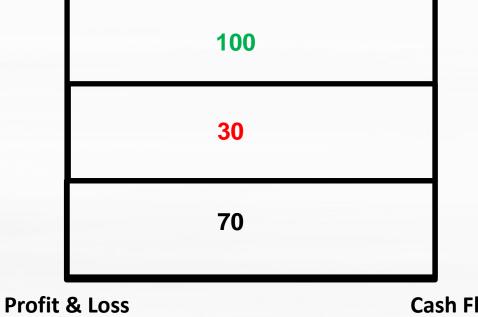


#### **Balance Sheet**

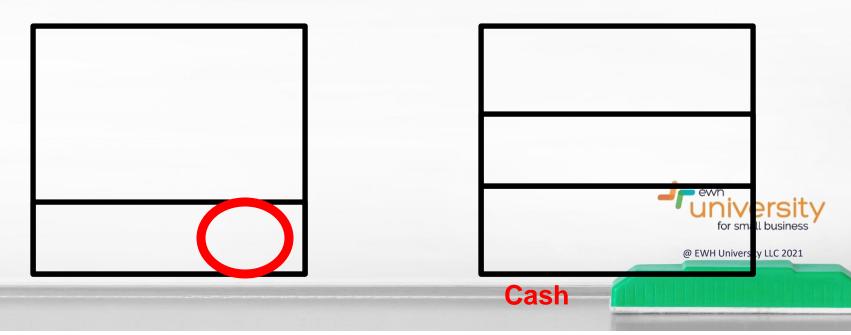


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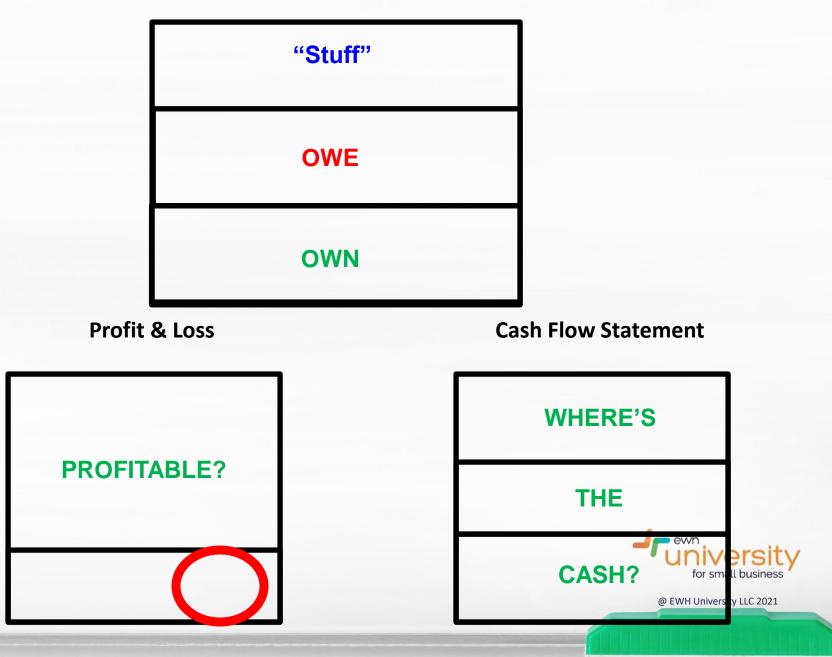
#### **Balance Sheet**







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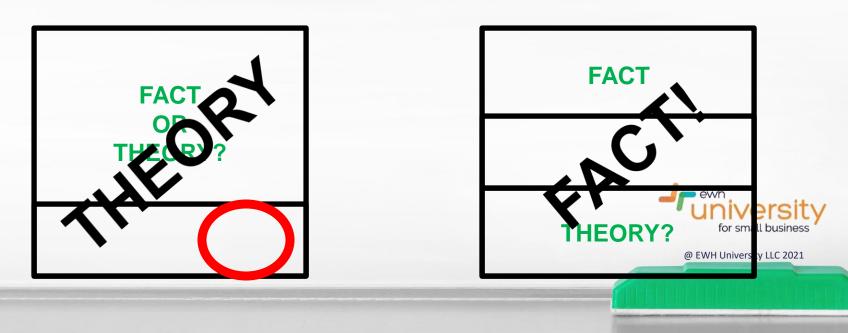




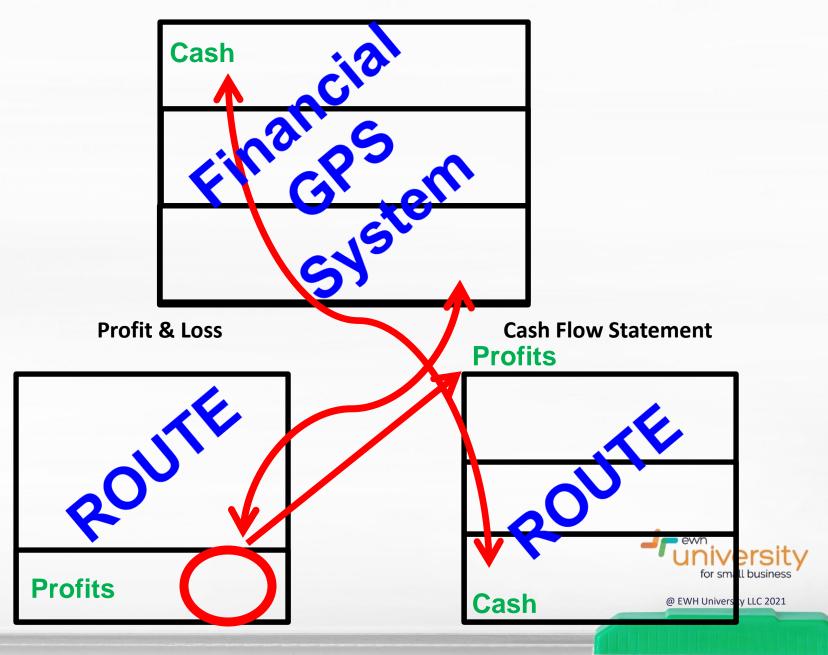


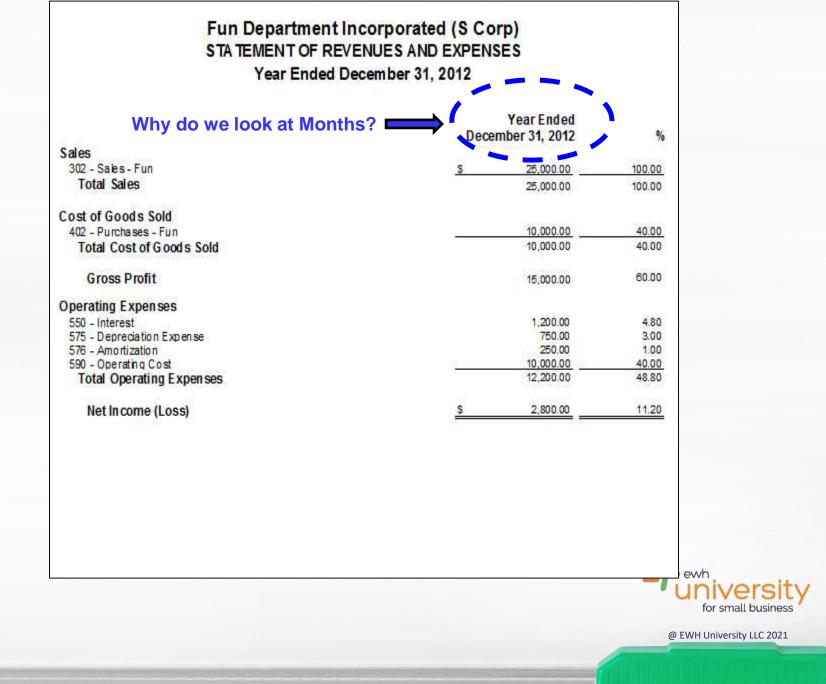
Profit & Loss

#### **Cash Flow Statement**



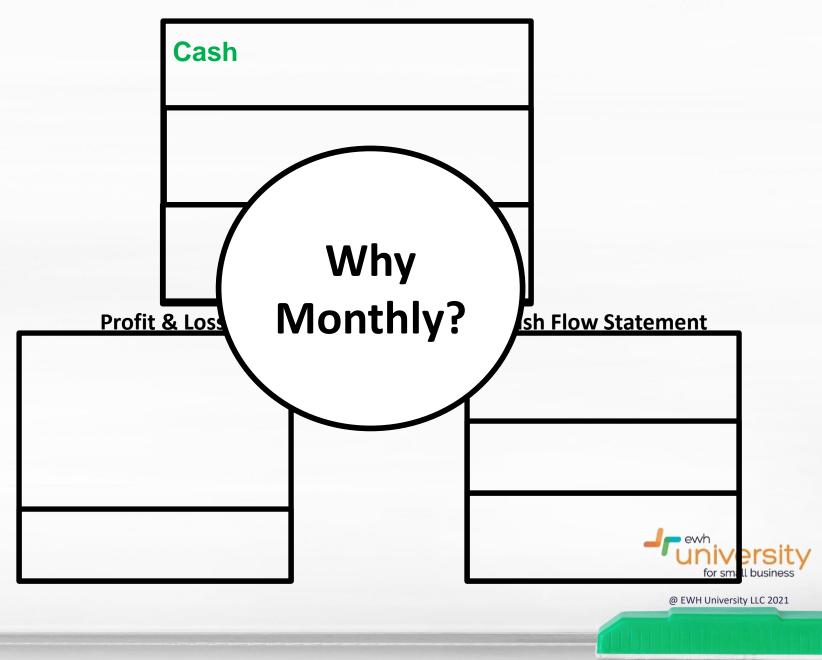




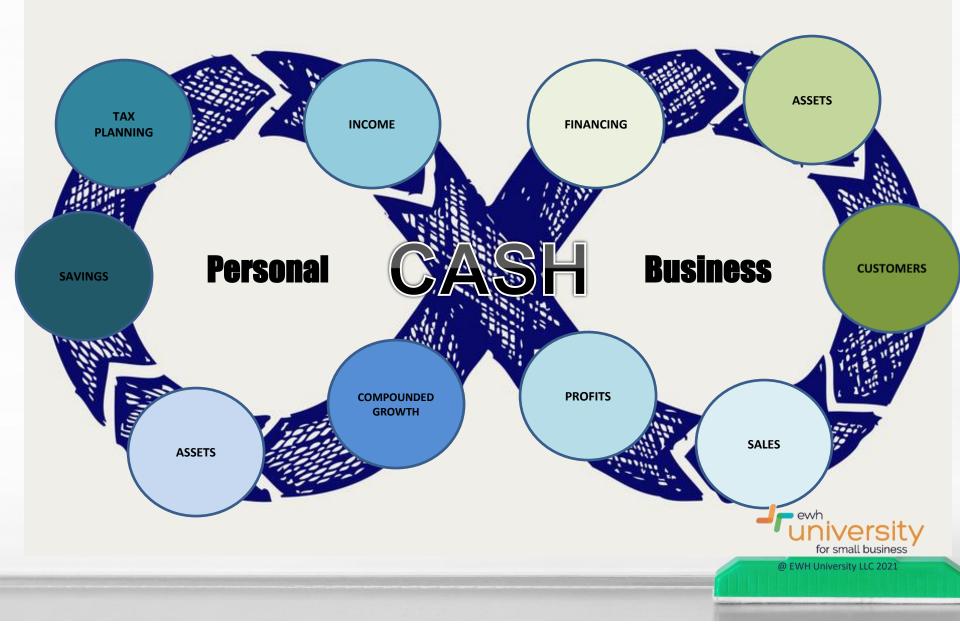


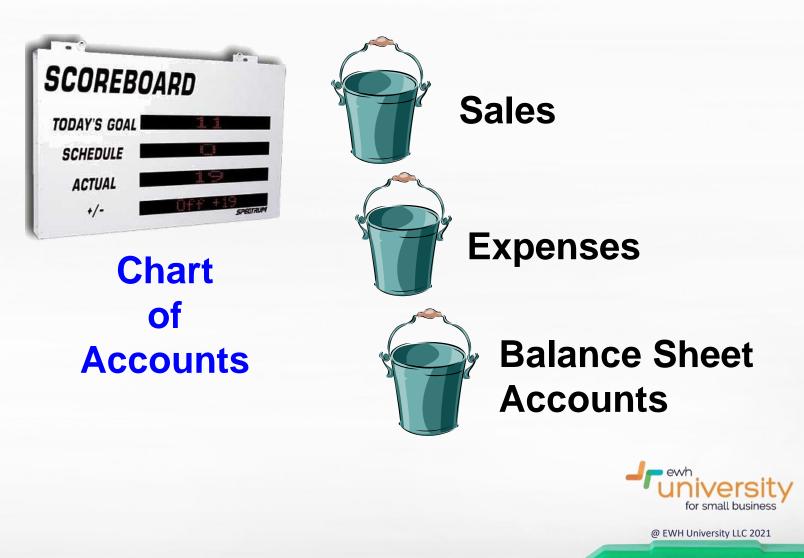
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## **The Cash Flow Track**





SCOREBO	ARD
TODAY'S GOAL	11
SCHEDULE	0
ACTUAL	19
+/-	SPECTRU

Cash
VS.
Accrual



### **Cash Accounting**



Transactions are only recorded in your accounting system ... when cash is paid out or received.

Benefits: More representative of cash position

Weaknesses: Doesn't tell you the whole story



#### **Accrual Accounting**

SCOREBOA	RD
TODAY'S GOAL	11
SCHEDULE	
ACTUAL	
+/-	DEP + 18

A transaction gets recorded once a transaction occurs in your business...regardless of whether cash was paid out or received.

Benefits: Shows you the whole story!

Weaknesses: Is a more detailed and complex method of accounting.

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# **KPI's (Key Performance Indicators)**

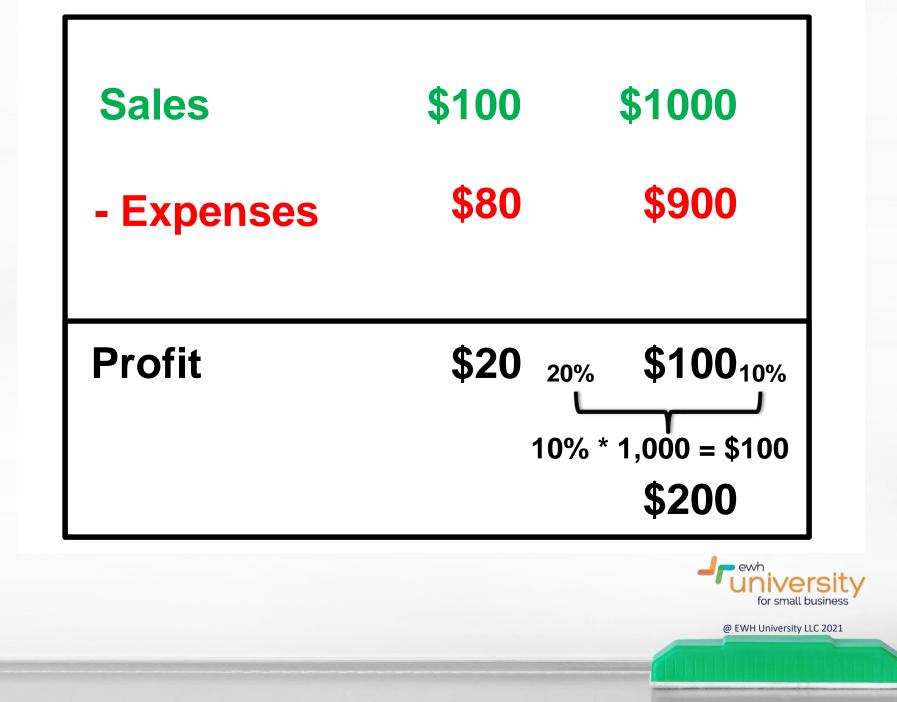
### **Benefits of KPI's**

- Anticipate and solve challenges before they occur
- Tells you the story behind your numbers
- Becomes the benchmark to measure progress within your business and your financial goals
- Trends and Relationships

"What gets measured is what gets done" ~ Keith Cunningham











### **Going Forward into Your Business**

Specific

Measurable

Achievable

Realistic

Evaluate

Reevaluate

Timely

#### **Secret # 9:** Grow S.M.A.R.T.E.R. by Setting Written Goals

Schedule a time to review F/S every month

#### Start with the P&L:

Sales, were the up, down. Anything up or down?

#### What about expenses?

Any of them noticeably up or down, in terms of dollars or in term of percentage of sales? Why were they up or down?

What happened with A/R, A/P, Inventory, and Cash?

#### Was Cash used for:

Loan repayments
Equipment or
Distributions

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