



## 6 DIFFERENT LIQUIDITY RATIOS TO ASSESS CASH FLOW STATUS

Liquidity ratios are financial metrics that measure a company's ability to meet its short-term obligations and convert assets into cash.

Here are some common types of liquidity ratios:

### 1. Current Ratio:

It is calculated by dividing a company's current assets by its current liabilities. This ratio measures the company's ability to cover its short-term obligations with its short-term assets.

### 2. Quick Ratio (or Acid-Test Ratio):

This ratio is similar to the current ratio but excludes inventory from current assets. It is calculated by dividing a company's quick assets (current assets minus inventory) by its current liabilities. The quick ratio provides a more stringent measure of liquidity as it focuses on assets that can be quickly converted into cash.

### 3. Cash Ratio:

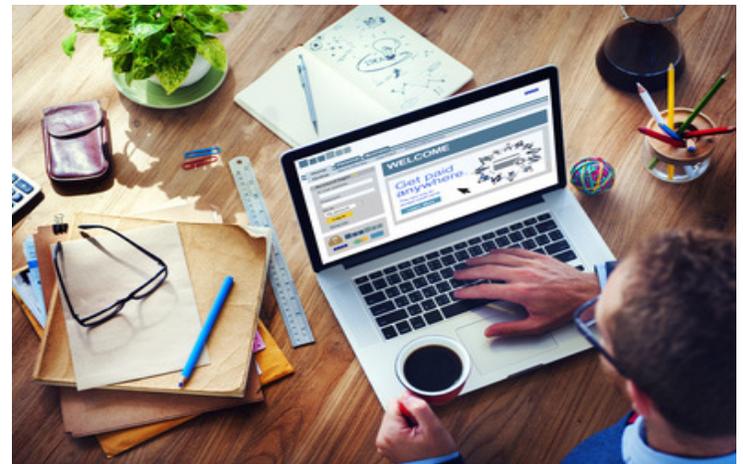
This ratio measures a company's ability to pay off its current liabilities using only its cash and cash equivalents. It is calculated by dividing a company's cash and cash equivalents by its current liabilities.

### 4. Operating Cash Flow Ratio:

This ratio compares a company's operating cash flow to its current liabilities. It indicates how well a company's cash flow from operations can cover its short-term obligations.

### 5. Net Working Capital Ratio:

This ratio is calculated by dividing a company's net working capital (current assets minus current liabilities) by its total assets. It measures the proportion of a company's assets that are tied up in working capital, which reflects its ability to cover short-term obligations.



### 6. Operating Cash Flow to Current Liabilities:

This ratio compares a company's operating cash flow to its current liabilities, similar to the operating cash flow ratio. It indicates the company's ability to generate sufficient cash to cover its short-term obligations.

These ratios provide insights into a company's liquidity position and its ability to handle short-term financial obligations. It's important to note that the interpretation of liquidity ratios can vary across industries, so it's essential to compare them within the context of the company's specific sector and historical performance.

## 7 FINANCING OPTIONS WHEN CASH FLOW IS TIGHT

There are several easy-to-access cash flow solutions that can help individuals and businesses manage their financial needs.

Here are a few options:

### 1. Business lines of credit:

Many financial institutions offer lines of credit specifically designed for businesses. These credit lines provide access to funds up to a predetermined limit, allowing businesses to withdraw cash as needed and repay it over time.

### 2. Invoice financing:

This solution is suitable for businesses that invoice their customers but experience delays in receiving payment. Invoice financing companies provide immediate cash advances based on outstanding invoices, helping businesses bridge the gap between invoicing and receiving payment.

### 3. Merchant cash advances:

Particularly applicable to retail and service-oriented businesses, merchant cash advances offer a lump sum payment in exchange for a percentage of future sales. Repayment is typically made through a fixed percentage of daily credit card or debit card sales.

### 4. Crowdfunding:

Crowdfunding platforms enable individuals and businesses to raise money by appealing to a large number of people who are willing to contribute small amounts. This approach is commonly used for

creative projects, startups, and charitable causes.

### 5. Peer-to-peer lending:

Online platforms connect borrowers directly with individual lenders, cutting out traditional financial institutions. Peer-to-peer lending provides access to loans with competitive interest rates, and the application process is usually straightforward.

### 6. Business credit cards:

Many credit card issuers offer business credit cards that provide a revolving line of credit. These cards can be used to make purchases or withdraw cash, offering flexibility and quick access to funds. However, it's important to manage credit card balances responsibly to avoid high-interest costs.

### 7. Small Business Administration (SBA) loans:

The SBA offers various loan programs to support small businesses, including lines of credit, working capital loans, and microloans. While the application process can take longer than some other options, SBA loans often come with favorable terms and interest rates.

Remember to carefully assess the terms and conditions, interest rates, repayment terms, and eligibility criteria of any cash flow solution you consider. It's advisable to consult with financial professionals or advisors who can provide guidance tailored to your specific situation.

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liquidity within  
8 business hours**