



4 ASPECTS OF CASH FLOW MANAGEMENT

“Never take your eyes off the cash flow because it’s the lifeblood of business.” — Sir Richard Branson

Cash flow management refers to managing cash inflows and outflows of a business to ensure enough cash is available to meet the company’s financial obligations while maximizing the returns on excess cash.

Effective cash management involves:

- reducing cash conversion cycles
- planning and controlling the use of money
- optimizing the company’s cash balance

In this month’s InfoPays, we review 4 aspects of cash management and some tips for essential things to watch for.

1. CASH FORECASTING

This involves predicting future cash flows and timing cash inflows and outflows to ensure the company has enough cash to meet its obligations.

2. CASH BUDGETING

This involves preparing a budget that outlines the expected cash inflows and outflows over a specific period. These are your best guesses.

3. CASH COLLECTIONS

This involves ensuring that customers pay their bills on time and any overdue payments are followed up and collected promptly.

Tip: Monitor 60+ Days of Accounts Receivables

Banks consider receivables over 90 days as ‘bad debts’ and won’t consider them when applying for a loan. That’s why AR over 60 days is a crucial receivables mark. When aging receivables pile up on your balance sheet, you must get paid faster or carry more cash to compensate.

Tip: Compare Receivables against Payables

This one is straightforward -- if your upcoming receivables are less than your payables, you will need a cash reserve to cover your costs.

4. CASH DISBURSEMENTS

This involves managing expenses and bills to ensure payments are made on time while maximizing the company’s cash balance.

Tip: Strategize your payables’ due dates

Pay close attention to your due dates, and you will know if you’re paying too fast or too slow, which will help you avoid additional carrying costs, interest, and late fees. This is a prime example of what you would miss if you only look at profits on the income statement.

Cash forecasting, budgeting, collection, and disbursement will help you achieve effective cash management and positive financial health at your company, ensuring you can meet obligations and invest in growth opportunities.



TOP 5 ACCOUNTING SOFTWARE WITH CASH FLOW MANAGEMENT TOOLS

Many cash flow accounting tools are available on the market, and the best one for you will depend on your specific needs and budget.

Here are some popular options to consider:

1. QuickBooks

This widely used accounting software tracks your real-time cash flow, expenses, and income. It offers many features like invoicing, payment processing, and reporting.

2. Xero

A cloud-based accounting software, Xero provides an easy-to-use platform for managing cash flow. It offers features in invoicing, bill payment, bank reconciliation, and inventory management.

3. Wave

Wave is a free, cloud-based accounting software with features like invoicing, accounting, and receipt scanning. It also has a mobile app, which makes it convenient for business owners who are always on the go.

4. FreshBooks

Another popular accounting software is FreshBooks, which helps you manage your cash flow by automating invoicing, tracking expenses, and processing payments. It also offers valuable reports

and analytics to support your decision-making.

5. Zoho Books

Last, Zoho Books is a cloud-based accounting software that helps you manage your cash flow by tracking income and expenses, automating invoicing, and reconciling bank accounts. It also provides features like project management and inventory management.

These are just a few examples of the many cash flow accounting tools available. Evaluating your specific needs and budget is essential when selecting a tool that will work best for your organization or business.



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