

HLI ACCOUNTING SERVICE'S

# Cash Flow *Crash Course*

82% of businesses fail  
due to problems with  
their cash flow.

Here's how to not  
be one of them!



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# Let's go back to the basics!

What **is** cash flow?

Cash flow is how money moves **in to** and **out of** your business over a certain time period. For the purposes of this guide, we'll be talking about cash flow over a month.

Cash spent → is a cash outflow from your business.

Cash earned ← is a cash inflow to your business.

At the end of a period, you'd like to see positive cash flows to show that you're **more** than covering your expenses.

# Let's break it down!

A true cash flow statement separates your cash flows into three different categories: **operations, investing, and financing.**

Cash flow from operating expenses means the cash you receive and pay out in a certain period for ordinary business activities.

Cash flow from investing refers to cash earned or spent relating to investing activities.

Lastly, cash flow from financing includes cash raised or paid out from transactions with debt, equity, or dividends.

Here are eight ways to improve your cash flow today! →

# Tips to improve cash flow

- 1 Negotiate the time period of your payment terms with your vendors.** Instead of having invoices due on delivery, develop a relationship with your vendors to see if you can pay 30 or 60 days from receipt.
- 2 Shop around for deals on service contracts.** If your current providers aren't open to negotiating their prices, consider shopping competitors for better deals on the same services!
- 3 Set up automatic reminders to follow up on unpaid invoices.** Looking at your A/R Aging report each month can help you see which customers still owe you money.
- 4 Implement a late payment fee policy.**

# Tips to improve cash flow

- 5 Incentivize early payments from your customers with a discount.** Offer a small discount for customers that pay for your products or services up front.
- 6 Evaluate whether it's time to raise your prices.** Whether it's been years since your raised prices, you're operating at full capacity, or you're simply offering more value, increasing your prices can help increase your cash flow.
- 7 Cut out unnecessary expenses.** Whether it's a recurring subscription you forgot about or an unused office space, do an audit of your expenses.
- 8 Put any unused cash to work!** If you have cash sitting around, consider moving it into an interest-bearing savings account.

# Need help with *your finances?*



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