

ROBOOKKEEPER

Small Business Guide for Improving Cash Flow





Executive Summary

Small business owners need positive cash flow to not only maintain operations but also plan for future expansion. Cash is the lifeblood of any business regardless of industry. Poor cash flow leads to several problems that may cause the closure of a small business.

Positive cash flow allows small business owners to invest in their company, pay financial obligations on time, keep operations going, and reach more customers. Updated accounting books allow owners to determine if they have good or poor cash flow.

Robookkeeper can update your accounting books regularly. They qualify and manage virtual accountants. We use a cloud-based system that is secure and easy to access.

We eliminate mistakes in your accounting books so that you will know the condition of your cash flow. Our service continuity guarantees full support throughout your contract with us. We can customize packages to suit the needs and budget of your small business.



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The Importance of Positive Cash Flow

Cash flow is the money that goes in and out of a business for investments, operations, product development, marketing, and other similar activities. Positive cash flow allows you to address immediate financial obligations while planning for future growth. Cash flow is just as important as profit. A small business may be profitable, but with poor cash flow management, it will face problems such as undersupply of inventory, delayed salary for employees, late payments which incur penalties and interest, and stunted expansion.

Accurate and positive cash flow provides small businesses with financial flexibility and stability. Owners will know the precise amount of money they have. This allows them to make plans and implement them. Resource allocation is also easier and simpler because of updated information about cash flow. Owners can identify where their money is going and make improvements in processes and investments.



Positive cash flow provides you with an opportunity to expand your business at the right time. You'll need cash to hire new employees, open branches, purchase equipment and inventory, and market your business to a new audience.

Cash flow has either a positive or negative effect on your business relationships. Positive cash flow enables you to pay suppliers on time. Once you earn their trust you can negotiate better terms.

The Relationship between Liquidity and Cash Flow



Cash flow and liquidity have either a positive or negative effect on each other, depending on how a small business owner manages them. Liquidity refers to a company's ability to pay its immediate dues. It also includes assets that a business can turn into cash easily and quickly. Cash flow is the amount of cash a company has for its operational activities. It has an opening and closing balance at the start and end of each accounting period. Business owners compare the opening and closing balances to make financial decisions. They then look for ways to improve cash flow such as cutting costs and boosting sales, if needed.

A small business may have large profits, but if most or all of these are accounts receivables, it will have a negative effect on their cash flow. The liquidity of a company is significant to its cash flow. If a company needs to liquidate assets to pay immediate obligations, they need to be liquid to do so. They need assets they can turn into cash quickly. Even if a company has good cash flow and liquidity, this doesn't mean it's profitable. A business makes profit when it has excess funds after paying all obligations.

Factors that Affect Cash Flow

Small business owners need to find a balance between the amount of cash going in and going out. Understanding the factors that affect cash flow, enables owners to make sound decisions.

Here are the factors that affect cash flow:

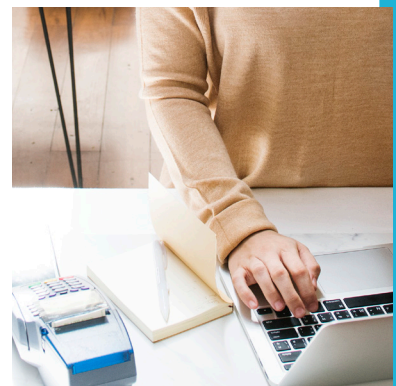
A. Collection of **Receivables**

An accounts receivable counts as revenue. However, as long as it doesn't convert into cash, it will prevent you from using it for investments, operations and immediate obligations. Always check the date of receivables and follow up if a customer's due date is near.



B. Implementation of **Credit Policies**

A small business improves its customer service and reputation when they provide credit. However, they should have strict policies they must enforce. Terms such as penalties for overdue payments, payment timeframe 15 or 30 days or others, and allowable discounts just to name a few. Assign a designated team to make follow up phone calls to customers before their due date or once they are overdue.



Factors that Affect Cash Flow

C. Payment of Payables

The way you manage accounts payables also has an effect on your small business' cash flow. Negotiate terms with suppliers and distributors so that payment schedules are in your favor. Make sure cash is easily available for operations and other activities.



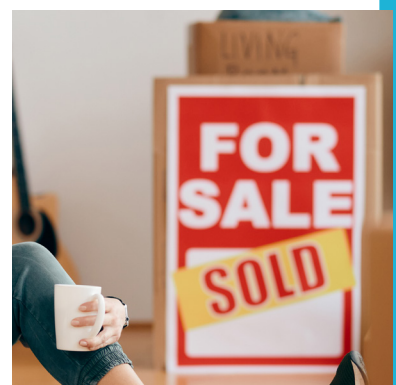
D. Inventory Management

Avoid over or understocking of inventory. This can have a negative effect on your cash flow. Too much inventory ties up cash and too little reduces sales. Always monitor items that sell quickly and forecast possible customer demand. Account for seasonal changes in purchasing behavior of your customers.



E. Investment Activities

Investments such as buying land, property, and equipment tie up cash even if they have a long-term benefit. If you have poor cash flow when you make these purchases, you might encounter difficulties in paying immediate dues. Assess your financial situation before investing in assets that are difficult to liquidate.



Ways to Improve Cash Flow

The importance of cash flow cannot be overstated because it affects different aspects of your small business. It can affect payroll, revenue, operations, marketing, investment activities and others. If you are having difficulties in managing your cash flow, these are some of the ways to improve it.



A. Consider Leasing

Leasing office space, equipment, and others is more expensive than outright buying them. However, small businesses need enough cash to pay immediate dues, give employees' salaries on time, and maintain operations. Outright purchases reduce your cash on hand. Unless your small business has more than enough cash to buy, leasing is a possible option.

B. Sell Inventory Quickly

Some small business owners make the mistake of overstocking inventory. Inventory stuck in warehouses and shelves tie up cash you could've used elsewhere. Improve inventory management by creating a sales forecast and understanding the customer demand for certain items. If the stock takes too long to sell, drop the prices instead of hoping to move them at a later date.

Ways to Improve Cash Flow



C. Higher Prices

Increasing pricing is a risk that few entrepreneurs are willing to make because they think it would have a negative effect on their sales. However, you'd want to know the highest possible price that your target customers are willing to pay. This may increase your profits and allow you to boost your cash on hand. This in turn allows you to expand your business and reach more customers.

D. Early Payment Discounts

Incentivize customers to pay early by providing discounts or better terms. This creates a situation where both parties win. It also boosts cash flow that allows small businesses to invest in their company and pay for immediate dues.

E. Negotiate Terms with Suppliers

Negotiate better terms with suppliers so that your small business will have cash regularly. You can seek extensions on dues or lengthen the payment period. Ask if you could get a discount if you buy a certain number of items. Pay early but only if a supplier provides you better prices.

Ways to Improve Cash Flow



F. Credit Check Customers

One of the mistakes of small business owners is that they give a line of credit to customers who can't pay on time. Avoid this problem by conducting a credit check on a customer. Doing so frees up cash that could otherwise be tied to receivables that will convert at a later date. If you still want to give credit to someone who has a poor credit rating, increase the interest rate.

G. Use an Electronic Payment System

Paying electronically allows you to settle a payment until the morning of the due date. You buy your small business enough time to maintain cash flow. You also have the option to use a business credit card, which allows you to settle your balance for up to 21 days. This grace period enables you to improve cash flow.

The Benefits of Having Positive Cash Flow

Effective management of cash flow is beneficial to small businesses. These are some of the benefits of having positive cash flow.

A. Expand Your Small Business

More cash on hand provides you with financial flexibility and stability. This enables you to plan for the growth of your business. You can effectively allocate your resources because you know you have enough funds to pay for immediate obligations. You can take calculated risks, plan for the future, and address the needs of the present.

You'll need positive cash flow for investments. These can come in different forms such as buying new equipment or upgrading current ones, hiring new employees, adding a new location for your business, expanding your office and others. You'll need funds for all of these while sustaining regular operations.



B. Pay Employees Promptly

Employees need full engagement and motivation to be productive. Late salaries discourage them from working. In such situations, they might consider leaving the company. Positive cash flow enables small businesses to pay their employees on time.



The Benefits of Having Positive Cash Flow

C. Manage Inventory Properly

In some cases, poor cash flow is related to mismanagement of inventory. Some owners buy too little or too much stock. Both cause problems and have a negative effect on sales. Overstocking ties up cash one could use for immediate business and operational costs or investments. Positive cash flow alleviates these problems. You have enough cash to keep shelves stocked and order new inventory when the need arises.



D. Pay Dues on Time

Some small businesses have difficulties paying their employees because they mismanaged their resources. Positive cash flow enables owners to pay their employees on time. The timely release of salaries keeps a workforce motivated and engaged. You might also have more than enough to offer bonuses for top performers.



E. Better Credit Rating

A small business needs a good credit rating to get loans for investments, expansion, product development and others. Creditors review a company's financial situation before saying yes or no to an application. Positive cash flow improves the chances of getting approved. It shows an owner is managing their finances effectively.

Robookkeeper A Cost-Effective Bookkeeping Solution

Small business owners have a tight budget they need to allocate effectively. Bookkeeping is a task they can outsource. Robookkeeper is a competitively-priced solution that addresses bookkeeping needs. We connect small business owners with experienced virtual accountants qualified and managed by an experienced team. Your team can concentrate on their core strengths when you outsource your company's bookkeeping tasks to us.



- | Outsourcing bookkeeping allows your employees to concentrate on what they do best.
- | Your small business can reduce expenses with outsourced bookkeeping because you don't have to hire a full-time bookkeeper.
- | You don't have to use resources to train employees for bookkeeping by outsourcing.
- | Hiring outsourced bookkeepers eliminates mistakes in your accounting books.
- | You can keep your accounting books updated to get insights about financial decisions.

How **Our Services** Can Help Your **Cash Flow**

You need updated accounting books to determine if your cash flow is positive or in poor shape. Updated information allows you to identify which aspects of your small business are tying up cash flow. We at Robookkeeper can update your accounting books on a regular basis. This keeps information in them updated, whenever you have to make a financial decision.



Updated accounting books allow you to identify which aspects of your business need resources and improvement.

Regular updating of your accounting books enable you to determine if your cash flow is about to stagnate or dip.

Updated accounting books provide you with insights about your small business' cash flow. This allows you to make sound financial decisions.

Get Started on Better Bookkeeping

We offer small business owners competitively-priced bookkeeping. We offer different packages such as Essential and Pro Automation package. Reach out to us so we can make an offer and customize a package.

Table of services we offer:

Essential	Services	Pro Automation
✓	Accounts Receivable Processing	✓
✓	Accounts Payable Processing	✓
✓	Bank Reconciliation	✓
✓	Fixed Assets Register	✓
✓	Profit and Loss Report	✓
✓	Balance Sheet Report	✓
	Inventory Management	✓
✓	Setup Books Using QuickBooks Online or Xero	✓
✓	Managed by an Experienced and Professional Team	✓
	Use of Add-Ons	✓
Up to 20	Invoices and Related Payments	Up to 60

Get Started on Better Bookkeeping



Contact Us

Send us an email via marketing@robookkeeper.com or chat with us through our social media accounts. Tell us your bookkeeping needs and we will customize a package for you.

Send your accounting books

Send us your accounting books and we will update them for you. Our experienced virtual accountants and partners will do the bookkeeping tasks you want.

Accessibility

We use a cloud-based system for real-time updates and accessibility whenever you need to and wherever you are.



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