

# CASH FLOW MANAGEMENT

A predictable and positive cash flow is the only way to be confident that your business is succeeding, and problem solving is critical to enabling a healthy cash flow. Unless you are aware of where your real problems exist, you're going to continue fumbling in the dark for solutions. Cash flow can be dependent on a number of factors, and it is important to understand the areas that have the biggest impact for the least amount of time. Establishing effective management strategies will provide your business with a steady foundation for a positive cash flow, so that you can focus on the future of your business.

Effective Cash Flow Management requires:

- Knowing your Break-Even cash flow position
- Developing a 90 plan for your sales and marketing
- Keeping up to date performance information
- Having a complete cash flow forecast
- Working on a Plan B for cash shortfalls

There are many facets of cash flow management that require experience and knowledge to be able to make changes, improvements, and decisions around your financial operations. Facets such as understanding that profit doesn't equal cash flow surplus, the ability to implement plans that fix cash flow deficit, effective communication with lenders and suppliers in the event of cash flow challenges, and how to plan ahead and adapt to the ever changing landscape of your business.

Advise the Breakeven Cashflow Calculator is available as a working document by phoning **0800 242 623**

This resource has been kindly provided by



If you have any questions, please call **0800 CHAMBER (0800 242 623)**.

DATE: MARCH 2015

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## BREAKEVEN CASH FLOW

Having a positive cash flow is necessary for any business to function healthily, regardless of whether the business is profitable. A profitable business may not necessarily correspond to entirely healthy cash flow, as profit does not equal cash flow surplus. If your inflows are less than your outflows, you will face cash flow challenges. Determining your Break Even cash flow is important because it concerns the accessible cash in your bank account, and puts you in a position to progress towards freely generating sales and opportunities for your business. In calculating cash inflows and outflows you will understand the cash performance of your business and key obstacles to overcome, to fix a deficit or to grow cash flow. A Break Even Analysis takes into consideration the items not in profit and loss reports, to calculate your Break-Even cash flow.

Cash flow includes the following items not in profit and loss reports:

- When cash is received for invoicing (typically the following month)
- When payments are made to suppliers
- Loan repayments
- Increases in working capital including inventory
- Asset purchases
- Owner drawings not classified as salary expenses
- Dividends
- GST

A succinct and complete analysis, factoring in all overlooked and sometimes hidden cash outflows, is the only way to determine when your business will be able to cover cash outflows and begin to make a surplus cash flow. It requires a significant amount of time and expertise to complete a thorough analysis and understand what changes need to be made to generate a healthy and positive cash flow for your business.

Improve your financial management skills and make better decisions to run your business. Understand different aspects of the financial performance of your business and the drivers of performance

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# BREAK EVEN CASH FLOW CALCULATOR

## How to Use:

Please make sure you have your Macros enabled - refer to the "Notes" tab on how to do this.  
Fill in the details required in the Yellow Highlighted Areas:  
The results will then appear in "Cash Flow Deficit / Cash Flow Surplus"  
Then **CLICK** on the Breakeven button to see what sales your business needs to breakeven!

## Business Name:

		Current Annually
<b>Revenue</b>		<input type="text"/>
Direct Payroll	As revenue grows, direct costs will increase	<input type="text"/>
Direct Costs		<input type="text"/>
<b>Operating Margin</b>		\$0
Fixed Payroll Costs	Fixed Salary and Wages	<input type="text"/>
Overheads	Ongoing expenses of running your business	<input type="text"/>
Interest		<input type="text"/>
Depreciation		<input type="text"/>
<b>Profit Before Tax</b>		\$0
Do you have Tax Losses available?		<input type="text"/>
Tax	Zero if Tax Losses are available	28% <input type="text"/> \$0
<b>Cash Profit After Tax (excluding depreciation)</b>		\$0
<b>Other Cashflow Items</b> Enter a Postive Value for an Inflow / Negative Value for an Outflow		
Increase in Working Capital	Debtors + Inventory - Creditors	<input type="text"/>
Capital Expenditure	New assets purchased for your business	<input type="text"/>
Loan Repayments	Including IRD Debt and excluding Interest	<input type="text"/>
Drawings / Dividends		<input type="text"/>
Other Cash Flow		<input type="text"/>
<b>Net Cash Surplus</b>		\$0

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