

Video: Cash Flow

Subject	Notes
Stats	80% of businesses fail 82% fail because they run out of money 82% of Entrepreneurs personally fund their businesses 77% of the money comes from personal savings
Pay Attention	Stop what you are doing and pay attention to this module.
Cash flow	Balancing your revenue vs your costs Cash in vs Cash out Timing of the cash in and cash out is critical
Personal finances	Good understanding of your personal finances. You know when your monthly bills are due and how much they are. You know how much your check will be and when you will receive it. Easy to manage your cash and identify if you will be short. Extra savings to cover vacations or emergencies
Business finances	Paychecks are fluid. Many issues can impact your cash flow. Uncertainty around money coming in and going out.
Cash Flow Statement	Must become an expert. Are you making more than you are spending? What is the timing of the money coming in and out?
Risks	Too little sales – Can't pay bills Too much sales – May run out of cash buying product Details can be seen in cash flow model - Later
Reserves	Must have cash available in reserves to run the business when different issues impact your cash flow.
Cash Flow Plan	Forecasted Costs vs Forecasted Sales
Accuracy	Must use accurate numbers! 95% of Entrepreneurs don't hit their forecast numbers.
Business compared to personal finance	They are totally different Imagine if your current paycheck didn't come in as scheduled. Imagine if you didn't know when you would get paid. What if the amount continually fluctuated?
Situations that impact cash flow	N30, N60, N90 Sometimes they pay partial Sometimes they don't pay at all They hardly ever pay on time Defective Products (returns and refunds) Disputes (causes delays and partial payments) Shipping issues (delays or replacements) Unplanned capital purchase (unplanned costs) Stock the wrong inventory (can't convert to cash)

Video: Cash Flow

	<p>Sales not on plan (forecasted cash not available) Customer slow pay (chokes your cash flow)</p>
Cash Flow importance	<p>\$25k sale per month (even) 40% Gross profit margin \$2500 per month Fixed Costs Customer pays N60 \$35,500 in bank to manage payables for cash flow Otherwise you will go cash negative</p>
Customer Net 90	<p>Same scenario but customer pays N90 You need \$52,500 in the bank to manage payables for cash flow. Otherwise you will go cash negative</p>
How does it work	<p>After the training video, take the Cash Flow Model training to learn how to update your cash flow model as well as learn about how different situations impact your cash flow.</p>
Tips for Creating your cash flow plan	<p>(1) Items to include in Cash Flow Plan:</p> <ul style="list-style-type: none"> Sales Cycles Terms (Vendor and Customer) Discounts for prompt payments offered to customers Industry delinquency rates Salaries Taxes Day to day operating expenses Loan payments Supplies Repairs Advertising Rent Phones Utilities Insurance Inventory Invoice creation time (How quickly will you bill) Equipment Professional fees Office supplies Vehicles Gas for vehicles <p>(2) Clean and good credit: Your business and personal credit will be reviewed when opening accounts with vendors. The better the credit the better terms you will receive. Remember you want and need longer terms with vendors. This has a positive impact on your cash flow.</p>

Video: Cash Flow

	<p>(3) Limit Open Terms to customers: Waiting for payments from customers chokes your cash flow. Don't just provide customer with open terms. Follow the standards of the industry and don't provide open terms unless the customer requests them and deserves them.</p> <p>(4) Ask vendors for extended terms: It doesn't hurt to ask. Find out when they extend the terms. Anything you can do for a positive impact to your cash flow.</p> <p>(5) Email Invoices and send statements: Email the invoices when possible to reduce the delivery time (more time for you customer to process or alert you to disputes). Sending a statement is a touch in the collection process and saves you time and money from making a call. It reminds the customer what is due and shows that you expect payment on time. It will help to encourage customers to pay on time.</p> <p>(6) Review receivables daily: Customers will not just pay their invoices. You need to keep focus on the receivables to ensure that invoices don't go delinquent. Remember a sale that is not collected is a donation. Late or non-payments have negative impacts to cash flow.</p> <p>(7) Offer 2%, net 10: If you are having cash flow issues, you can offer discount terms to help keep the cash flow healthy. A 2%, net 10 discount means. If the customer pays in 10 days they will receive a 2% discount. It's hard to give the 2% discount but you should weigh how important it is to have your cash in 10 days versus what the industry is currently paying. Sometimes up to 90 days. Also, offering a discount will usually reduce your cost and time for collections as customers are incentivized to pay. You should evaluate if the 2% discount is beneficial for your business.</p>
Users Additional Notes:	