

# Managing your cash flow

QUICKSNAPS - Want to know the secrets of successful cash flow?



**The timing of cash flow and the impact on your bank balance**



**Profit and cash flow are different**



**Cash that is not yours**



**Working capital**

# Managing your cash flow

## QUICKSNAPS - Want to know the secrets of successful cash flow?

Things you need to know	Considerations
<b>The timing of cash flow and the impact on your bank balance</b>	<ul style="list-style-type: none"><li>• The following are examples where you may need to spend cash before your customers have paid you;<ul style="list-style-type: none"><li>» payment for stock</li><li>» salary and wages to staff</li><li>» buy tools / supplies</li></ul></li><li>• You may also have fixed commitments / payments such as rent / lease payments on equipment which you have to meet even if you are not receiving income from customers. You'll need to have sufficient funds to cover this, sometimes up to several months</li></ul>
<b>Profit and cash flow are different</b>	<ul style="list-style-type: none"><li>• Your profit and loss statement might show a profit but that's not how much is in the bank</li><li>• Profit doesn't include everything you spend, for example loan repayments or asset purchases. It may also include non-cash items such as depreciation on assets you own</li><li>• Future expenses are often not reported and included in profit calculations</li></ul>
<b>Cash that is not yours</b>	<ul style="list-style-type: none"><li>• Supplier commitments and overheads such as insurance or rent that are outstanding need to be factored in</li><li>• The goods and services tax (GST) portion of sales you receive is not yours to spend</li><li>• Pay-As-You-Go withholding (PAYG Withholding) and Superannuation related to wages that need to be paid</li><li>• Any late payments you make can attract penalties and interest (i.e. banks, regulatory bodies, government agencies, suppliers)</li><li>• Creating a balance sheet can give you a snapshot of your business health as this looks at the available capital within your business at any one time. This snapshot of your business capital can be compared with your current net profit to show you that 'profit' and 'health' are different</li></ul>
<b>Working capital</b>	<ul style="list-style-type: none"><li>• You want your customers to pay you in a shorter timeframe than you have to pay your suppliers or other creditors so that the money you receive from your customers can be used to meet these commitments</li><li>• What is the right amount of stock for your business to operate?</li></ul>

### More information

Consider what you need to do to manage your cash flow and keep things balanced. Think about what money is coming in and what is going out. Visualise this using the Cash Flow Canvas.

You may want to use a cash flow statement template

<https://www.business.gov.au/Finance/Accounting/How-to-set-up-a-cash-flow-statement>