Liquidity Management

"The core utility of liquidity management is to ensure that a person or an organization has sufficient funds available to meet its short-term financial obligations while optimizing the utilization of its cash resources. It involves monitoring and controlling the inflow and outflow of cash, managing cash reserves, and making strategic decisions regarding investments and financing. By effectively managing liquidity, actors can enhance financial stability, meet operational needs, seize investment opportunities, and mitigate the risk of financial distress." (ChatGPT)

"Double-entry bookkeeping provides a robust framework for tracking and managing financial transactions, including those related to liquidity management. It ensures accuracy and transparency by recording every transaction in at least two accounts: a debit and a corresponding credit.

This system helps support liquidity management in several ways:

1. Cash Flow Monitoring: Double-entry bookkeeping allows businesses to track cash inflows and outflows accurately. By recording transactions related to sales, expenses, loans, investments, and other financial activities, it provides an accurate picture of the organization's cash position.
2. Financial Statement Preparation: Double-entry bookkeeping enables the preparation of financial statements, including the balance sheet and income statement. These statements provide essential information on assets, liabilities, equity, revenue, and expenses, aiding in assessing liquidity positions and identifying areas for improvement.
3. Accurate Asset and Liability Tracking: By maintaining separate accounts for different assets and liabilities, double-entry bookkeeping helps organizations track their liquidity-related items precisely. This includes monitoring cash balances, accounts receivable, accounts payable, short-term investments, and loans.
4. Internal Controls: Double-entry bookkeeping incorporates checks and balances that enhance internal controls. This helps prevent errors, fraud, and mismanagement of funds, promoting accurate liquidity management.
5. Decision-making Support: The information generated through double-entry bookkeeping assists management in making informed decisions regarding liquidity management. It provides insights into cash inflows, outflows, and overall financial health, allowing businesses to optimize cash reserves, prioritize payments, and plan for contingencies.

Overall, double-entry bookkeeping provides a structured and comprehensive approach to recording and analysing financial transactions, contributing to effective liquidity management." (ChatGPT)

So far so good. ChatGPT rightly underlines the *controlling features* of book-keeping. Which means, that code to build and maintain ledgers must include reports on various perspectives into the heap of numbers. This includes special attributes to support the reporting.

Ledger code needs – besides dropping the numbers in two accounts - parts to analyse the historical data in respect to liquidity and reporting capacity. What is safe to spend? What will be needed to settle?

Saving liquidity starts with planning liquidity.

The rise of the smartphones and their ability to access account data in banks brought up three types of Apps:

The single Bank apps, the spending tracker inclusive cash and the budget utilities. All three of them merged in Personal Finance Managers. Bank apps lost their focus on one bank only. On the other hand, apps appeared for 1 card, 1 bank, 1 account. Splitwise and the like helped to keep track of debit and credit in communities.

Why to join the club?

An actor, planning to join the clearing club, should be interviewed about his way to manage liquidity. This is essential for his ability not to experience surprises at the end of the clearing period. His ledger should provide him with an exact extrapolation of what he is bound to pay or to receive, whenever it is suitable.

This ensures a smooth settling if the community hasn't chosen to carry over debts and credits. But even then, it is good to recognise a growing debit early, also for the community or the matrix operator.

The matrix doesn't save him liquidity, but the worries connected to late payments. His liquidity management does not depend on a risk, of credit not being settled. The club guarantees, that all credits are settled ("**whatever it takes**") to ensure a smooth operation. There are various ways to ensure this.