# Financial Management [How]

High level vision: To bring first world industrial technology to the third world, to aid third world organisations in growth and asset development.

Cash to cash cycle:

When looking at a cash to cash cycle a company needs to be knowledgeable about the current business environment. Exploring new ways to better the current C2C cycle should be the main goal of the company, thus working towards a continuous improvement culture. C2C cycle is built on balancing three main aspects, such as Inventory, Payable accounts, and receivable accounts.

Identifying a competitor or setting up own benchmark for the C2C is critical, to keep a goal in sigh and having a benchmark to work towards. Continuously analysing the value chain to cut non-value adding operations is also key to developing a successful C2C cycle.

The financial model is developed to sustain cashflow in the company. The programs are developed for a set cost to suit each individual company, then a subscription bases is used to generate a continuous revenue stream.

The start-up cost estimation for this is R 953 800 (Cash out)

Product is sold by, having a company sit-down consultation and design @ R 5 000.

The program is then tailored to specific company and industry @ R 20 000.

From then on, a monthly fee is charged for continues usage of the software @ R 3 500 pm.

To cover start up cost 37 programs needs to be sold, excluding monthly subscription fee.

The program is estimated to take 1 month of development at an external contractor.

Launch and logistics is estimated to take up to 3 months.

Estimated cash-to-cash cycle is 4 months.

Cash flow shortage:

Having a shortage of cash flow happens when more money flows out of the business than what flows into the business. This may lead to problems such as payroll shortages or overhead shortages, meaning you can not pay your staff their salaries or you cannot pay back the money you owe.

The first way to deal with a cashflow problem is to cut the salaries of the executives or partners in the company. This will lower the strain on the cash flow. Then liquidating any assets that does not bring value to the company and contributes to the cash income of the company.

Next step is to analyse the cash out flow stream of the company and assess the need of these streams, after analysing the cash out streams eliminate all the streams that does not benefit the company and result in asset or income growth.

If the 3 steps mentioned above does not solve the cash flow problem, then it means that the income vs cost ratio is out of balance and that the business model is no longer feasible. The solution for this scenario is to reassess the current business model and explore new directions in which to drive the business to make it more profitable.

The finances:

The goal for the company is the acquire as many loyal customers that use the software in as small of a time window as possible. This is because the biggest revenue stream come from the subscription. To be able to reach a positive net worth for the company is the 3 year short term goal, this means that all the start-up cost is covered and all proceeds can go back in to growing the company.

Having a business model where the goods needs no materials of constant ‘manufacturing cost’ is the best model to ensure quick growth rate. Establishing a constant revenue stream is critical when developing a company that attracts investors, due to the level of ‘safety’ that a business model has that generates a constant revenue stream.

For the 5 – 10 year model for the company, we look to have bought back all shares in the company from all investor. Then using profits to grow the company’s influence in the industry and forging relationships with strong industry partners to ensure the company stays relevant and current.

The numbers shown in the 5 year model below was calculated on a constant price. In the journey to develop a constant revenue stream partnerships have to be formed, Especially in the turbulent times where a global pandemic is a huge factor in global economics, it is critical to gain the trust of industry partners and clients. By ensuring a constant subscription rate for the first 5 years, we will be able to gain customer and industry partner trust and loyalty. This model shows a constant growth and does not rely on increase of product cost but more the quantity of clients. Seeing that the program is only developed once and then constantly improved and updated makes this model profitable. With low expenses and basically an infinite inventory quantity is the best approach.

This model was developed on a 6 customer per year approach, but by keeping the cost the same and inflation forcing all the prices up, this approach will become more and more affordable for smaller clients over time. With the once-off cost nature for product development such a model is possible, and this model becomes more and more profitable as inflation makes it more affordable. Further this model ensures a good company lifetime as the target market constantly shifts to help more and more small companies obtain first world technology.

Chart, line chart

Description automatically generated

References:

* [Paul D. Hutchison](https://www.researchgate.net/profile/Paul_Hutchison), 2007, university of North Texas. Cash-To-Cash Analysis And Management

Table

Description automatically generated

Table

Description automatically generated

Calendar

Description automatically generated