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To
Hami Aly
CFO (Chief Financial Officer)

The CFO is responsible for managing the financial actions of the company. Their duties include tracking cash flow, analyzing strengths and weaknesses to propose corrective action plans when necessary and preparing accurate forecasts so that management can make informed decisions about future investments or cuts.

Rahul Sharma
Founder

Liquidity

Liquidity refers to an organization's ability to pay off its short-term liabilities — those that will come due in less than a year — with readily accessible, or liquid, funds. Liquidity is usually expressed as a ratio or a percentage of what the company owes against what it owns.

CFOs are concerned with ensuring that customer payments are made in full and on time and controlling expenses so that enough cash is on hand to meet financial obligations.

Return on investment (ROI)

Part of a CFO's strategic focus is on ensuring a strong return on investment (ROI) for their organizations. ROI is a measure of the likelihood of receiving a return on dollars invested and the precise amount of that return. As a ratio, it looks at the gain or loss of an investment as a percentage of the cost.

Because ROI is a relatively basic KPI that does not account for all variables — net present value, for example — CFOs add context to evaluate whether a project will deliver sufficiently robust ROI to be worth the investment.

Forecasting

Importantly, CFOs don't only report what is — a significant part of their value to an organization is their ability to accurately predict likely future outcomes. That includes financial forecasting and modeling based not only on the company's past performance but on internal and external factors that may affect revenue and expenses. The CFO is tasked with making sense of the various departmental level forecasts to create profit projections for the CEO and shareholders.

Internal factors include sales trends, labor and HR-related costs, the price of raw materials and more, while external data inputs could include opportunity cost for capital, shifts in market demand, emerging competitors and advances in technology.

To monitor the external environment, CFOs may rely on government data, analyst firms and business and general media, supplemented with insights gleaned through trade and association memberships and the input of board members, lenders and others.

Reporting

Financial reports including balance sheets and P&L and cash flow statements help both internal leaders and external stakeholders understand the financial state of the business, and it's up to the CFO to attest that these statements are accurate and complete in accordance with generally accepted accounting principles (GAAP).

Although private companies are required to file financial reports with the SEC only if they have $10 million or more in assets and 500 or more shareholders, many businesses create these statements anyway so they're available should the company seek a bank loan or venture capital or equity funding