Top 5 Cash Flow Management Tips for Business Owners

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VIA ZOOM

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ABOUT THE PRESENTER

- Audra Wilson-Russell, CPA, MBA
- Owner of WATS CPA Firm, established 10/2/2012
- Certified Public Accountant in FL
- B.S. degree in Accounting from Florida State University
- MBA from Lynn University
- Advanced Certified QuickBooks Online ProAdvisor
- Certified Advisor for Xero Accounting
- Member of the Delray Beach Business Partners Leads Group
Agenda

► About the Presenter
► Meet with your CPA
► Understand your cashflow
► Create and track cashflow projections
► Utilize accounting technology to collaborate
► Implement strategies to increase net profits
► About WATS CPA
► Q&A
According to data from the Bureau of Labor Statistics: about 50% of small businesses fail within their first 5 years.

Hire a trusted CPA to help you navigate cash-flow and the business.
#1 - Meet with your CPA

Set Targets/Goals to Achieve
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Set Targets/Goals to Achieve

- Revenue target
#1 - Meet with your CPA

Set Targets/Goals to Achieve

- Revenue target
- Gross Profit target
#1 - Meet with your CPA

Set Targets/Goals to Achieve

- Revenue target
- Gross Profit target
- # of customers
#1 - Meet with your CPA

Set Targets/Goals to Achieve

- Revenue target
- Gross Profit target
- # of customers
- Cash reserve balance
#2. Understand your cashflow

Net Income ≠ Ending Cash
#2. Understand your cashflow

Net Income ≠ Ending Cash

Why the heck not?
#2. Understand your cashflow

What is Net Income?

\[
\text{Revenue} - \text{Expenses} = \text{Net Income}
\]

Found on Profit and Loss Statement
#2. Understand your cashflow

What is Net Cash?

Beg Cash
+ CF from Operations
+ CF from Investing
+ CF from Financing
= Ending Cash

Found on Statement of Cashflows
Found on Statement of Cashflows

Beg Cash Balance

**Examples of Operating Activities (P&L)**
Sales
Rent
+ Wages
Supplies
Legal Fees

**Examples of Investing Activities (B/S)**
Buying or selling assets: Property, Plant, & Equipment
Vehicles
+ Computers
Furniture
Equipment

**Examples of Financing Activities (B/S)**
Dividends
+ Debt
Loan Payments
Equity Distributions/Contributions

= Ending Cash Balance
#2. Understand your cashflow

**Tax treatment**

- Taxed on Net Income
#2. Understand your cashflow

**Tax treatment**
- Taxed on Net Income
- Ending cash is typically lower than Net Income
#2. Understand your cashflow

**Tax treatment**

- Taxed on Net Income
- Ending cash is typically lower than Net Income

<table>
<thead>
<tr>
<th></th>
<th>Net Income</th>
<th>Cash Balance</th>
<th>P&amp;L</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>10,000</td>
<td>10,000</td>
<td>P&amp;L</td>
</tr>
<tr>
<td>Rent</td>
<td>(2,500)</td>
<td>(2,500)</td>
<td>P&amp;L</td>
</tr>
<tr>
<td>Utilities</td>
<td>(400)</td>
<td>(400)</td>
<td>P&amp;L</td>
</tr>
<tr>
<td>Distributions</td>
<td>(5,000)</td>
<td></td>
<td>BS</td>
</tr>
<tr>
<td>Loans Payment</td>
<td>(450)</td>
<td></td>
<td>BS</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,100</strong></td>
<td><strong>1,650</strong></td>
<td></td>
</tr>
</tbody>
</table>
#3. Create and track cashflow projections

29% of businesses failed because they ran out of cash.

- CB Insights Analysis
#3. Create and track cashflow projections

Cash Flow Projections

- Cash balance, Money in, Money out – What is left?
#3. Create and track cashflow projections

Cash Flow Projections

- Cash balance, Money in, Money out – What is left?
- Can you cover your overhead?
#3. Create and track cashflow projections

Cash Flow Projections

- Cash balance, Money in, Money out – What is left?
- Can you cover your overhead?
- Can you pay yourself?
#3. Create and track cashflow projections

Cash Flow Projections

- Cash balance, Money in, Money out – What is left?
- Can you cover your overhead?
- Can you pay yourself?
- Longer term - Is there cash available to invest in the business
### ABC Company

<table>
<thead>
<tr>
<th>Inflows</th>
<th>Total Amount</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Forecast as of:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan 14-Jan 18</td>
<td>$5,000.00</td>
<td>$5,000.00</td>
</tr>
<tr>
<td>Jan 19-Jan 25</td>
<td>$58,300.00</td>
<td>$57,600.00</td>
</tr>
<tr>
<td>Jan 26-Feb 1</td>
<td>$14,099.00</td>
<td>$14,099.00</td>
</tr>
<tr>
<td><strong>Total inflows</strong></td>
<td>$63,800.00</td>
<td>$63,800.00</td>
</tr>
</tbody>
</table>

**Outstanding Invoices:**

<table>
<thead>
<tr>
<th>Client</th>
<th>Total Amount</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client 1</td>
<td>$8,500.00</td>
<td>$8,500.00</td>
</tr>
<tr>
<td>Client 2</td>
<td>$15,000.00</td>
<td>$15,000.00</td>
</tr>
<tr>
<td>Client 3</td>
<td>$8,300.00</td>
<td>$8,300.00</td>
</tr>
<tr>
<td>Client 4</td>
<td>$12,000.00</td>
<td>$12,000.00</td>
</tr>
<tr>
<td>Client 5</td>
<td>$20,000.00</td>
<td>$20,000.00</td>
</tr>
</tbody>
</table>

**Subtotal - Open Invoices (AR):** $63,800.00
# Create and track cashflow projections

<table>
<thead>
<tr>
<th>Outflows</th>
<th>Amount</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other outflows</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At&amp;T</td>
<td>$224.00</td>
<td></td>
</tr>
<tr>
<td>My landlord LLC, LLC</td>
<td>$7,500.00</td>
<td></td>
</tr>
<tr>
<td>City of Delray</td>
<td>$400.00</td>
<td></td>
</tr>
<tr>
<td>FPL</td>
<td>$300.00</td>
<td></td>
</tr>
<tr>
<td>Honda</td>
<td>$501.00</td>
<td></td>
</tr>
<tr>
<td>Payroll</td>
<td>$8,000.00</td>
<td></td>
</tr>
<tr>
<td>Payroll Taxes</td>
<td>$2,500.00</td>
<td></td>
</tr>
<tr>
<td>All other vendors</td>
<td>$25,000.00</td>
<td></td>
</tr>
<tr>
<td>UNITED HEALTHCARE</td>
<td>$2,000.00</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal - Other outflows</strong></td>
<td>$46,425.00</td>
<td></td>
</tr>
<tr>
<td><strong>Total outflows</strong></td>
<td>$10,500.00</td>
<td>$700.00</td>
</tr>
<tr>
<td><strong>Net cash inflow / (outflow)</strong></td>
<td>$53,300.00</td>
<td>$(700.00)</td>
</tr>
<tr>
<td><strong>Cash balance, ending</strong></td>
<td>$58,300.00</td>
<td>$57,600.00</td>
</tr>
</tbody>
</table>
#3. Create and track cashflow projections
#4. Utilize accounting technology to collaborate
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- Use Bank Feeds - Connect accounting software to bank account
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- Use Bank Feeds - Connect accounting software to bank account
- Set up Chart of Accounts in a way that optimizes your deductions
#4. Utilize accounting technology to collaborate

- Use Bank Feeds - Connect accounting software to bank account
- Set up Chart of Accounts in a way that optimizes your deductions
- Real time info at your fingertips
#4. Utilize accounting technology to collaborate

- Use Bank Feeds - Connect accounting software to bank account
- Set up Chart of Accounts in a way that optimizes your deductions
- Real time info at your fingertips
- Connect accounting software to various apps
#5. Implement strategies to increase net profits

Chart Title

- Category 1
- Category 2
- Category 3
- Category 4

Series 1
Series 2
Series 3
#5. Implement strategies to increase net profits

Increase Revenue
#5. Implement strategies to increase net profits

Increase Revenue

- Raise your Prices – Are you competitive?
#5. Implement strategies to increase net profits

**Increase Revenue**

- Raise your Prices – Are you competitive?
- Increase your customers base – sell more in quantity
Implement strategies to increase net profits

Increase Revenue
- Raise your Prices – Are you competitive?
- Increase your customers base – sell more in quantity
- Add a new service or product
#5. Implement strategies to increase net profits

Decrease Expenses
#5. Implement strategies to increase net profits

Decrease Expenses

- Trim Fat – Non-essential expenses, does not grow revenue
#5. Implement strategies to increase net profits

Decrease Expenses

- Trim Fat – Non-essential expenses, does not grow revenue
- Price shop commoditized suppliers
#5. Implement strategies to increase net profits

**Decrease Expenses**

- Trim Fat – Non-essential expenses, does not grow revenue
- Price shop commoditized suppliers
- Invest in technology to cut cost
#5. Implement strategies to increase net profits

**Decrease Expenses**
- Trim Fat – Non-essential expenses, does not grow revenue
- Price shop commoditized suppliers
- Invest in technology to cut cost
- Utilize social media for marketing
#5. Implement strategies to increase net profits

**Decrease Expenses**

- Trim Fat – Non-essential expenses, does not grow revenue
- Price shop commoditized suppliers
- Invest in technology to cut cost
- Utilize social media for marketing
- Reduce # of hours of staff and/or operations
#5. Implement strategies to increase net profits

Accelerate Cash Collections
#5. Implement strategies to increase net profits

Accelerate Cash Collections

- Use online invoicing
#5. Implement strategies to increase net profits

Accelerate Cash Collections

- Use online invoicing
- Accept debit/credit cards
#5. Implement strategies to increase net profits

Accelerate Cash Collections
- Use online invoicing
- Accept debit/credit cards
- Set up recurring payments
#5. Implement strategies to increase net profits

Accelerate Cash Collections

- Use online invoicing
- Accept debit/credit cards
- Set up recurring payments
- Use a mobile device for on the fly collections
WATS CPA is a virtual accounting firm that offers CFO advisory, outsourced accounting, and tax solutions primarily to childcare providers. We are very passionate about helping our clients reach their business and financial goals.
SOLUTIONS

CFO Advisory
- Business Advisory
- Budgeting
- Cash-flow Forecasting
- Advanced Reporting

Accounting & Bookkeeping
- Monthly
- Quarterly

Compliance
- Tax Returns
- Tax Planning

Various
- Online Bill Pay
- Invoice Processing
- App Advisory
- Payroll Access
- Cloud Accounting Migration
- Software Training
We're everywhere!