

# 25 TIPS TO UNDERSTAND YOUR CASH FLOW

E-Book

**ActionCOACH**<sup>®</sup>  
BUSINESS COACHING

# Table of Contents

03

## Keep Accurate Records

Use Accounting Software	03
Keep Receipts and Invoices	04
Categorize your Transactions	04
Reconcile your Bank Statements	04
Hire an Accountant	04

## Analyze your Cash Flow Statement 05

Look at your Net Cash Flow	05
Examine your Operating Activities	05
Look at your Investing Activities	06
Analyze your Financing Activities	06
Use Ratios to Analyze your Cash Flow	06

## Monitor your Accounts Receivable 07

Keep Track of your AR Aging Report	08
Set up a System for Invoicing and Collections	08
Check Customer Credit Worthiness	08
Use Automation Tools	08
Conduct Periodic Reviews	09

## Manage your Expenses 09

Create a Budget and Stick to it	09
Track All your Expenses	10
Negotiate with Suppliers	10
Prioritize Expenses	10
Use Technology to Automate Expenses	10

## Plan Ahead 11

Forecast your Cash Flow	12
Identify Potential Cash Flow Gaps	12
Plan for Seasonal Fluctuations	12
Set Financial Goals	12
Monitor your Progress	12

## A Bit About Us 13

Our History	13
Vision and Purpose	13
Making Business Ownership Easy	13
A Commitment to C.A.R.E	14
Finding a Coach	14

Understanding your cash flow is crucial for any individual or business, as it provides insight into the health and sustainability of your financial situation. Cash flow refers to the amount of cash coming in and going out of your bank account over a given period of time.

Without a clear understanding of your cash flow, it can be difficult to make informed decisions about budgeting, investments, or strategic planning. For businesses, managing cash flow is particularly critical, as it can impact the ability to pay suppliers, creditors, and employees. By monitoring and analyzing your cash flow, you can identify potential problems, take steps to address them, and make sound financial decisions that support your short and long-term goals.



## Keep Accurate Records

Cash flow is the lifeblood of any business. Understanding where your money is coming from and where it's going is essential for making informed financial decisions. Keeping accurate records is key to understanding your cash flow. Here are five ways to keep accurate records to understand your cash flow:

### Use Accounting Software

Using accounting software is one of the easiest ways to keep accurate records. It can help you manage your finances in real-time, create invoices, track expenses, and generate reports to monitor your cash flow. Some popular accounting software includes QuickBooks, Xero, and Wave. With accounting software, you can automate many of your financial processes, such as sending invoices and paying bills. This saves time and reduces the risk of errors. You can also track your accounts receivable and accounts payable, so you know who owes you money and who you owe money to. Accounting software allows you to categorize your expenses, which makes it easier to track your spending. You can create categories such as rent, utilities, salaries, marketing, and inventory. This will help you to identify areas where you can cut costs and reduce expenses.

## Keep Receipts and Invoices

Keeping receipts and invoices is an essential part of keeping accurate records. It's important to keep track of every business transaction, including cash payments. By keeping receipts and invoices, you can reconcile your bank statements and ensure that you're not missing any income or expenses. One way to keep receipts and invoices is to use a filing system. You can file them by date, vendor, or category. This will make it easier to find them when you need them. Another way to keep receipts and invoices is to scan them and save them in a digital format. This will save space and reduce clutter. It's also important to keep track of your accounts receivable and accounts payable. This will help you to monitor your cash flow and ensure that you're getting paid on time. You can create a system to track your invoices and payments, so you know who owes you money and who you owe money to.

## Categorize your Transactions

Categorizing your transactions is essential for understanding your cash flow. By categorizing your expenses, you can track your spending and identify areas where you can cut costs. This will help you to manage your cash flow and ensure that you have enough money to pay your bills. You can create categories such as rent, utilities, salaries, marketing, and inventory. You can also create subcategories within each category. For example, under marketing, you can have subcategories such as advertising, social media, and events. It's important to be consistent when categorizing your transactions. This will make it easier to analyze your spending and identify areas where you can make improvements. It's also important to review your categories regularly and make adjustments as necessary.

## Reconcile your Bank Statements

Reconciling your bank statements on a regular basis will ensure that your records match the bank's records. This will help you to identify any errors or discrepancies and correct them before they become a problem.

## Hire an Accountant

Reconciling your bank statements is an important part of keeping accurate records. It ensures that your records match the bank's records. This will help you to identify any errors or discrepancies and correct them before they become a problem. To reconcile your bank statements, you need to compare your records to your bank statement. You need to check that the balances match and that all the transactions are recorded correctly. If you find any errors, you need to correct them and make sure they don't happen again. Reconciling your bank statements on a regular basis will help you to identify any fraudulent transactions or errors. It will also help you to monitor your cash flow and ensure that you have enough money to pay your bills.



Keeping accurate records is essential for understanding your cash flow. By using accounting software, keeping receipts and invoices, categorizing your transactions, reconciling your bank statements, and hiring an accountant, you can ensure that your finances are in order and that you're able to make informed decisions to achieve your financial goals.

## Analyze your Cash Flow Statement

Understanding your cash flow is essential for the success of any business. One of the best ways to understand your cash flow is to analyze your cash flow statement. A cash flow statement shows how money flows in and out of your business over a specific period. Here are five ways to analyze your cash flow statement to understand your cash flow:



### Look at your Net Cash Flow

The first thing to look at when analyzing your cash flow statement is your net cash flow. Your net cash flow is the difference between your inflows and outflows. If your inflows are greater than your outflows, you have a positive net cashflow, which is a good sign. If your outflows are greater than your inflows, you have a negative net cashflow, which is a warning sign. Analyzing your net cash flow can help you to determine if your business is generating enough cash to cover your expenses. It can also help you to identify any areas where you can reduce costs and increase revenue.

### Examine your Operating Activities

The next thing to examine is your operating activities. Operating activities are the day-to-day activities that generate revenue for your business. This includes sales, expenses, and working capital.

Analyzing your operating activities can help you to identify the source of your cash inflows and outflows. For example, if your sales are increasing, your cash inflows should also be increasing. If your expenses are increasing, your cash outflows should also be increasing. By examining your operating activities, you can identify areas where you can improve your cash flow. For example, you can reduce your expenses or increase your sales.

### **Look at your Investing Activities**

Investing activities are the activities that involve the purchase and sale of long-term assets, such as property, plant, and equipment. These activities can have a significant impact on your cash flow. Analyzing your investing activities can help you to determine if you're investing in the right areas. For example, if you're investing in assets that aren't generating a return, you may need to adjust your strategy.

### **Analyze your Financing Activities**

Financing activities are the activities that involve the financing of your business, such as borrowing money or issuing stock. These activities can also have a significant impact on your cash flow.

Analyzing your financing activities can help you to determine if you're financing your business in the most cost-effective way. For example, if you're paying high interest rates on your loans, you may need to refinance.

A cash flow statement shows how money flows in and out of your business over a specific Period.

### **Use Ratios to Analyze your Cash Flow**

Ratios can be a powerful tool for analyzing your cash flow. There are several ratios that you can use to analyze your cash flow, including the operating cash flow ratio, the free cash flow ratio, and the cash conversion cycle.

The operating cash flow ratio measures your operating cash flow relative to your sales. The higher the ratio, the better your cash flow. The free cash flow ratio measures your free cashflow relative to your sales. The higher the ratio, the better your cash flow.

The cash conversion cycle measures the time it takes for you to convert your investments in inventory into cash. The shorter the cycle, the better your cash flow.

Analyzing your cash flow statement is essential for understanding your cash flow. By examining your net cash flow, operating activities, investing activities, financing activities, and using ratios, you can identify areas where you can improve your cash flow and ensure the success of your business.





# Monitor your Accounts Receivable



Accounts receivable is a crucial aspect of any business's cash flow. It represents the amount of money that is owed to your business by your customers. Monitoring your accounts receivable is essential for understanding your cash flow, as it can help you identify potential cash flow problems and improve your financial position. Here are five ways to monitor your accounts receivable to understand your cash flow:

### **Keep Track of your AR Aging Report**

The AR aging report is a summary of all outstanding invoices organized by the date they were issued. It's an essential tool for monitoring your accounts receivable and tracking how much money is owed to you. By monitoring the report regularly, you can identify overdue payments and take steps to collect them. You can also use the report to estimate future cash flow by projecting which invoices will be paid on time and which will be overdue.

### **Set up a System for Invoicing and Collections**

To keep your accounts receivable under control, you need a system for invoicing and collections. This system should include the steps you take to bill your customers, send reminders, and follow up on overdue payments. It's essential to have clear payment terms, including due dates, late fees, and payment options. By having a clear system in place, you'll reduce confusion and increase the likelihood that you'll be paid on time.

### **Check Customer Credit Worthiness**

One of the most important things you can do to monitor your accounts receivable is to check the creditworthiness of your customers. Before you offer credit, you should research their credit history, business reputation, and payment practices. This will help you avoid customers who are likely to pay late or not at all. You can also use credit monitoring services to keep an eye on your customers' credit scores and financial stability.

### **Use Automation Tools**

Automation tools can help you stay on top of your accounts receivable and reduce the risk of errors. For example, you can use accounting software that automates the invoicing and collections process. You can also use payment processing tools that automatically reconcile payments with your invoices. These tools save time and improve accuracy, making it easier to monitor your cash flow.



## Conduct Periodic Reviews

It's essential to conduct periodic reviews of your accounts receivable to identify areas for improvement. You can use the review process to analyze your payment terms, check for errors or discrepancies, and identify customers who are consistently late with payments. By reviewing your accounts receivable on a regular basis, you'll be able to spot potential issues and take corrective action before they become major problems.

Monitoring your accounts receivable is essential for understanding your cash flow. By setting up a system for tracking them, monitoring your aging report, sending timely invoices, following up on overdue payments, and analyzing your accounts receivable turnover ratio, you can improve your cash flow and ensure the success of your business.

## Manage your Expenses

Managing expenses is an essential part of running a successful business. When you have a clear picture of your expenses, you can make informed decisions that help you manage cash flow, optimize profitability, and keep your business running smoothly. Here are five ways to manage your expenses to understand your cash flow:



## Create a Budget and Stick to it

A budget is a plan that outlines your expected income and expenses for a particular period. It's a critical tool for managing expenses because it helps you track your spending and stay within your means. To create a budget, you'll need to estimate your income and expenses for the upcoming period. Be sure to include all your fixed and variable expenses, such as rent, salaries, marketing, and supplies. Once you've created your budget, track your actual spending against your budget to identify areas where you can cut costs or adjust your budget.

## Track All your Expenses

To manage your expenses effectively, you need to track all your spending. This includes both fixed and variable expenses, as well as one-time or unexpected expenses. You can use accounting software to track expenses automatically or manually record them in a spreadsheet. Whatever method you choose, be sure to categorise expenses by type and compare them to your budget regularly. This will help you identify areas where you're overspending and make informed decisions about how to reduce costs.

## Negotiate with Suppliers

Negotiating with your suppliers can be an effective way to manage your expenses. You can ask for discounts, payment terms, or bulk pricing to reduce your costs. Be sure to research prices from multiple suppliers before negotiating to ensure you're getting a fair deal. You can also negotiate with your landlord or utility providers to reduce your fixed expenses. By negotiating with your suppliers, you can lower your expenses and improve your cash flow.

When you have a clear picture of your expenses, you can make informed decisions that help you manage cash flow, optimize profitability, and keep your business running smoothly.

## Prioritize Expenses

When managing your expenses, it's essential to prioritize your spending. Some expenses, such as rent and salaries, are fixed and must be paid on time. Other expenses, such as marketing and office supplies, can be adjusted based on your budget and cash flow. By prioritizing your expenses, you can ensure that you're meeting your obligations while still managing your cash flow effectively.

## Use Technology to Automate Expenses

Using technology to automate your expenses can help you save time and reduce errors. For example, you can use accounting software to automate invoicing, payment processing, and expense tracking. You can also use expense management apps to track receipts and expenses in real-time. By automating your expenses, you'll be able to manage them more efficiently and accurately, reducing the risk of errors and overspending.

Managing your expenses is critical for understanding your cash flow and keeping your business financially healthy. By creating a budget, tracking all your expenses, negotiating with suppliers, prioritizing expenses, and using technology to automate expenses, you can manage your expenses effectively and make informed decisions that optimize profitability and cash flow.





# Plan Ahead

Planning ahead is an essential component of managing your cash flow. By looking ahead and making projections, you can anticipate future expenses and revenue, prepare for any potential cash shortfalls, and make informed decisions to optimize your financial health. Here are five ways to plan ahead to understand your cash flow.

### **Forecast your Cash Flow**

The first step in planning ahead is to forecast your cash flow. This involves estimating your expected revenue and expenses for the upcoming period and projecting your cash flow accordingly. To do this, you'll need to have accurate records of your past revenue and expenses, and factor in any expected changes or trends that may impact your cash flow. You can use cash flow forecasting tools or spreadsheets to make projections, and review them regularly to ensure they remain accurate.

### **Identify Potential Cash Flow Gaps**

Once you've projected your cash flow, it's important to identify any potential gaps between your expected cash inflows and outflows. This will help you prepare for any potential cash shortfalls and take action to mitigate them. For example, you may need to cut costs or delay non-essential expenses to conserve cash or explore financing options such as loans or lines of credit to bridge any gaps.

### **Plan for Seasonal Fluctuations**

Many businesses experience seasonal fluctuations in revenue and expenses, which can impact cash flow. Planning ahead for these fluctuations can help you manage cash flow more effectively. For example, if your business tends to experience a low period during the summer months, you may need to adjust your spending and conserve cash during that time to prepare for the upcoming busy season.

### **Set Financial Goals**

Setting financial goals can help you focus on your long-term financial health and guide your decision-making. For example, you may want to set a goal to reduce your expenses by a certain percentage or increase your revenue by a specific amount. By setting goals and tracking your progress, you can make informed decisions that help you achieve your financial objectives.

### **Monitor your Progress**

Monitoring your progress is critical to ensuring that your planning efforts are effective. By tracking your actual revenue and expenses against your projections, you can identify areas where you need to adjust your plan and make informed decisions to optimise your cash flow. Regularly reviewing your financial statements and cash flow projections can help you stay on track and make adjustments as needed.



Planning ahead is critical for understanding your cash flow and managing your financial health. By forecasting your cash flow, identifying potential gaps, planning for seasonal fluctuations, setting financial goals, and monitoring your progress, you can make informed decisions that optimize your cash flow and ensure the long-term success of your business. Remember to review your plan regularly and make adjustments as needed to ensure that your financial objectives are achieved.

## A Bit About Us

### Our History

Founded by Brad Sugars in 1993, ActionCOACH has served thousands of businesses and their owners worldwide and in every category imaginable. By showing owners how to get more time, better company teams, and more money on their bottom line.

### Vision and Purpose

We want you to succeed. At ActionCOACH, every individual within our team commits to our vision of "World Abundance through Business Re-education, purpose "A Coach in Every Business," so together we can make a difference.

### Making Business Ownership Easy

It is time to make a change... With 98% of clients saying they would recommend ActionCOACH, this will be a change we are certain you will be proud of when looking back at your business growth.



## A Commitment to C.A.R.E

ActionCOACH clients, whether they be small, medium, or large, will have a desire to have us help them achieve their goals and be able to take on our commitment to them by returning their commitment to ActionCOACH. They will be forward-thinking, willing to learn and grow, and willing to work as a team player in the development of an organization of “people.”

Our clients will be selected more on attitude than size and they will want to deal with us because we understand people are important, systems should run a company, we offer the most practical, most applicable, and fastest strategies on growth, and most importantly, because we mean what we say. We will give people back their spirit and freedom through business development.

## Finding a Coach

If you would like to act now and start your business coaching journey with our committed team, simply reach out to us at [actioncoach.com](https://actioncoach.com).