Your Monthly Cash Flow Checklist

I will conclude my series of SCORE “Know your business numbers” columns by providing a suggested list of cash flow questions that I recommend to small business CEOs to ask themselves each month. The continued success of your business will be largely influenced by how well you know your business numbers and are able to analyze how well you are doing. As you do that, you may very well trigger more questions about cash flow and financing. The more you learn, the better you'll be able to respond to what needs to be done, and the stronger your business will become. If your business needs some help with any of these concepts, you will find more help and expert advice by contacting a SCORE mentor by going to the website: http://seminnesota.score.org/ and click on the green box on the right side that says “Get Free Local Mentoring”.

The most common concern that I hear from small business CEOs is that of controlling cash flow. So, to conclude this series of columns on knowing your business numbers, here is a list of cash-flow questions to consider on a monthly basis.

✓ Are your accounts receivables late? When people are not paying you in a timely manner, you'll always be short of cash. Are you reluctant to approach your customers? Are you accepting credit and debit cards payments?

✓ Is your inventory turning slowly? Inventory is cash transformed into products. So when you're holding lots of unsold inventory you're really preventing access to cash. In addition, inventory costs create a financial burden. It's often best to sell inventory at break-even prices (or even incur a loss) rather than have it take up space without generating revenue.

✓ Are you controlling expenses? It may seem obvious, but your failure to control costs can be a major factor for cash flow problems. Maybe you need to learn more about minimizing expenses. Have you prepared a budget? If not, you should do so with the aid of your accountant. Once you've got that in place, avoid deviating from it.

✓ Is your business undercapitalized? Many SCORE counselors have remarked that under-capitalization is a leading cause of negative cash flow. Should you borrow or seek more investment?

✓ Are you hitting budget targets? Preparing a monthly or quarterly budget is essential to business success. You may not always stick to it, but your budget provides a road map for avoiding cash flow problems. Software programs such as QuickBooks, are designed to help you prepare budgets.
Are you periodically reviewing payroll expenses? If business is down, it may be time to review your payroll and consider outsourcing or hiring temps. Look at the pros and cons of contractors and employees.

Are you paying bills before they're due? Sometimes there can be benefits to paying your bills early—for example, you may qualify for a discount, but if not, there are more benefits to waiting, for example, 30 days, and then paying the bill. Even better, in terms of holding on to your cash, is to get longer terms for paying back your suppliers.

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