

THE KEY TO GOOD CASH FLOW MANAGEMENT



Presented by Jim Kahrs
President, Founder - Prosperity Plus



In This Seminar

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- Finance Basics
- Cash Flow Basics
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- Fundamental Prep
- Managing Cash Flow
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- Questions



Jim Kahrs

- 36 Years in Business Systems
- Started Prosperity Plus in 2001
- Achieve Your Goals by Improving Profit, Cash Flow & Growth
- M&A, Valuations, Succession Planning
 - More than 320 individual transactions
- Marketing Programs
- Consulting based on Experience + highly successful Hubbard® Management System & Value Builder System®



Hubbard Management System

- Created by L. Ron Hubbard
- Dianetics Author
- Founder, Church of Scientology
- Also Created:
 - Narconon
 - Criminon
 - Applied Scholastics
 - Volunteer Ministers
- Researched & developed one of the world's largest documented management technologies in existence. Used worldwide among companies large & small. Outlined in many courses, books & lectures.



Finance Basics

- What is money?
- Why it exists
- Before, there was barter
- Too cumbersome. So, we invented money
- Paper, credit card, ACH, crypto, etc. = value of goods

In essence, money is *“an idea backed by confidence”* as per L. Ron Hubbard.



An Abstract Idea. Often Misunderstood, Mishandled

- For an organization to survive, income must be greater than outgo
- An organization will spend all that it makes
- Income potential is established by demand for income

Creating Cash

- Income must be greater than Outgo
 - What are your Income sources?
 - What are your Outgo expenditures?
- Can a company be profitable and still have cash flow problems?

Poll Time

What causes your cash flow problems?

1. Inadequate sales
2. Slow payments from customers
3. Too much inventory
4. Business is spending too much
5. Product back orders

Managing Cash Flow

- Who can tell me their exact cash position right now?
- Who can tell me what it will be two weeks from now?
- To understand and manage cash flow you need a forward-looking process.

SAMPLE COMPANIES
Two Week Cash Projection



	4-Jan	
	Current Balance/Due	Available Cash
Account Balances		
Checking Account Balance	\$45,252.00	\$45,252.00
Outgoing Payments Due:		
	4-Jan	\$5,200.00
	11-Jan	\$5,000.00
Vendors		\$17,240.00
Payroll		\$10,000.00
Total Expected Payments Out	\$37,440.00	\$7,812.00
Payments Expected In:		
Customer #1 lease funding		\$8,500.00
Customer #2 lease funding		\$15,000.00
Customer #3 lease funding		\$12,500.00
Expected Deposits Week 1		\$15,000.00
Expected Deposits Week 2		\$12,000.00
Other:		
Other:		
Other:		
Other:		
Total Payments Expected In	\$63,000.00	\$70,812.00
Projected Cash Balance		\$70,812.00

Managing The Cash

Managing The Cash

SAMPLE COMPANY				
Cash Flow Report				
As of January 5, 2010				
Pending Payments:				
Vendor Accts Payable Balances Over 60				
		<u>1/7/2010</u>	<u>Total A/P</u>	<u>1/14/2010</u>
Vendor / Manufacturer 1		125	80,504	4,044
Vendor / Manufacturer 2		-	21,940	155
Vendor / Manufacturer 3		-	4,300	72
Vendor / Manufacturer 4		-	-	-
Vendor / Manufacturer 5		-	-	-
Vendor / Manufacturer 6		-	7,113	1,744
Vendor / Manufacturer 7		-	-	-
Vendor / Manufacturer 8		-	-	-
Vendor / Manufacturer 9		-	1,772	-
Vendor / Manufacturer 10		-	14,225	-
Vendor / Manufacturer 11		700	5,877	1,713
Vendor / Manufacturer 12		434	867	-
Vendor / Manufacturer 13		-	3,204	167
Vendor / Manufacturer 14		-	-	-
Vendor / Manufacturer 15		-	-	-
Vendor / Manufacturer 16		-	6,546	-
Vendor / Manufacturer 17		253	253	-
Vendor / Manufacturer 18		-	5,306	-
Vendor / Manufacturer 19		5,897	5,897	-
Vendor / Manufacturer 20		-	-	-
Vendor / Manufacturer 21		-	2,667	321
Vendor / Manufacturer 22		-	-	-
Vendor / Manufacturer 23		-	-	-
	Total vendors	7,409	160,473	8,216
			Credit Available	Pending
Current Total Credit				
<i>Credit Card Balance Owed</i>	BOA Visa	7,116	22,204	680
Customer Name		Buyouts		

Strategies for Improving Cash Flow

Emergency Management

- Review all open orders to see what can be delivered, invoiced, paid now
- Review all open receivables to see what can be collected now
- Determine if you have inventory that can be sold quickly (pay attention to used inventory)
- View payables to see what can be postponed
- Credit line should be the last resort. Ideally, it is never used for operating expenses.

Avoid Emergencies

- Plan in advance
- Timely installations
- Customer deposits
- Timely invoicing
 - Equipment/software
 - Service: billable/contracts
 - Supplies
- A/R Collection Process
 - Is it documented?
 - How often do you review receivables?

Asset Management

- How do you manage inventory?
 - Equipment/software
 - Supplies
 - Parts
- Tax planning

Next Poll

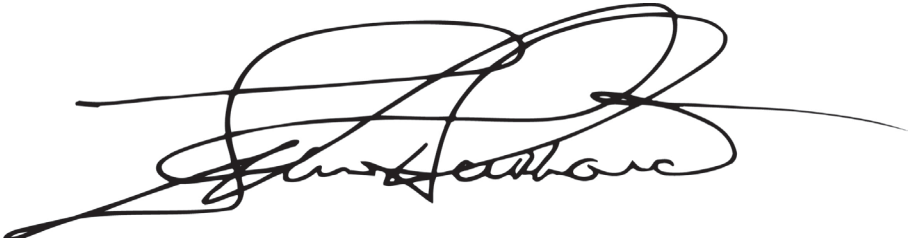
- How often do you do a full physical inventory?
 - Quarterly
 - Annually
 - Regular cycle counts and annual full count
 - Once every few years
 - Never

Creating a Cushion

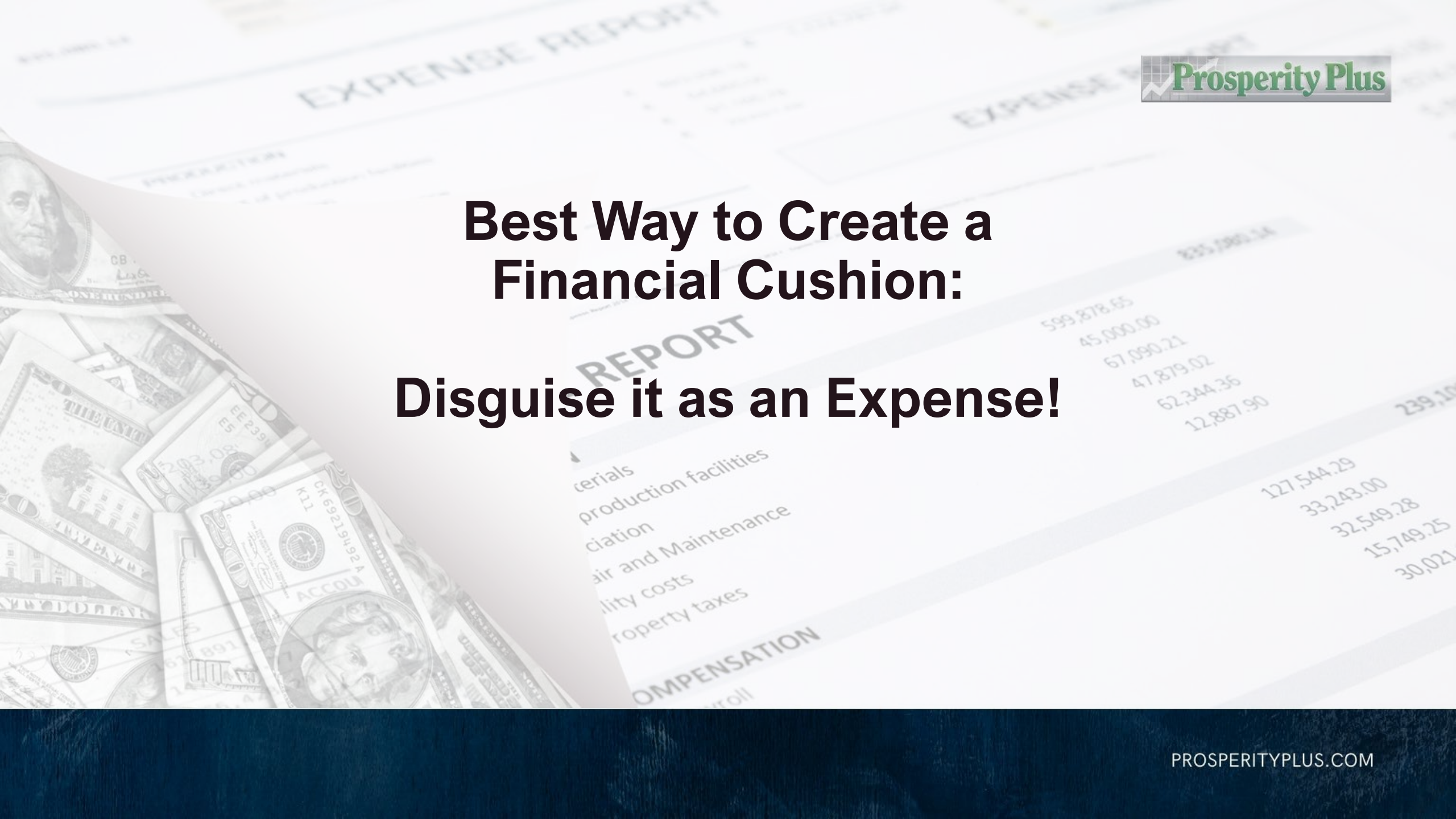
“An organization will try to spend more than it makes.”

“A surplus is achieved only by making it part of what an organization spends.”

“Financial management can not achieve a financial surplus by economy alone.”



L. Ron Hubbard



**Best Way to Create a
Financial Cushion:
Disguise it as an Expense!**



Summary

- Money is a confusing, often perverted subject
- Don't expect your employees to think sanely
- The group will always spend more than it makes
- Proper management can simplify cash flow
- Set up a plan and stick to it.



NEXT WEBCAST

ELEMENTS OF A SUCCESSFUL EXIT

SEPT 14 AT 1 PM EASTERN

LATER THIS MONTH:

AUG 28 - 29

IBPI Connect
Boston

AUG 30 - 31

BTA National Conference
Boston



Questions?

THANKS FOR WATCHING
Be Sure to Respond to Survey

JKAHRS@PROSPERITYPLUS.COM
631.382.7762