



Cash Flow Management

July 8, 2020

CASH FLOWS

- ▶ Short term weekly cash flow projections help you understand when your finances will be tight and will provide a road map to develop your plan
- ▶ The cash flow projection should be on a receipts and disbursements basis
- ▶ Be realistic
- ▶ Understanding your fixed costs and the timing of those fixed costs
- ▶ Costs that were deferred (i.e. rent, loan payments, etc.) need to be considered

CASH FLOWS

Cash Flow													
Week #	1	2	3	4	5	6	7	8	9	10	11	12	13
Receipts:													
Receivables	350	100	200		200		50			400		100	
HST Refund						50						50	
Total	350	100	200	-	200	50	50	-	-	400	-	150	-
Disbursements:													
Rent			50				50				50		
Hardware					100								
Payroll	150		150		150		150		150		150		150
Other	20	10	10	20	-	-	10	10	10	-	-	20	20
Loan (P&I)	100			100				100				100	
Total	270	10	210	120	250	-	210	110	160	-	200	120	170
Net cash flow	80	90	(10)	(120)	(50)	50	(160)	(110)	(160)	400	(200)	30	(170)
Opening cash	200	280	370	360	240	190	240	80	(30)	(190)	210	10	40
Closing cash	280	370	360	240	190	240	80	(30)	(190)	210	10	40	(130)

➔ Weekly cash flow

➔ Cash flow strain

Rolling projected cash position

SCENARIO ANALYSIS

- ▶ Status Quo based upon historical
- ▶ Cash inflows reduced by 10%, 20%, 30%, etc?
- ▶ What are you currently experiencing?
- ▶ What is your break-even point?
- ▶ Being able to react quickly and decisively in a crisis is key to sustainability
- ▶ Can costs be reduced?
- ▶ Cutting costs is not enough

SCENARIO ANALYSIS

Cash Flow														Status				
Week #	1	2	3	4	5	6	7	8	9	10	11	12	13	Total	Quo	90%	80%	70%
Receipts:																		
Receivables	350	100	200		200		50			400		100		1,400	1,400	1,260	1,120	980
HST Refund						50						50		100	100	100	100	100
Total	350	100	200	-	200	50	50	-	-	400	-	150	-	1,500	1,500	1,360	1,220	1,080
Disbursements:																		
Rent			50				50				50			150	150	150	150	150
Hardware					100									100	100	100	100	100
Payroll	150		150		150		150		150		150		150	1,050	1,050	1,050	1,050	1,050
Other	20	10	10	20	-	-	10	10	10	-	-	20	20	130	130	130	130	130
Loan (P&I)	100			100				100				100		400	400	400	400	400
Total	270	10	210	120	250	-	210	110	160	-	200	120	170	1,830	1,830	1,830	1,830	1,830
Net cash flow	80	90	(10)	(120)	(50)	50	(160)	(110)	(160)	400	(200)	30	(170)	(330)	(330)	(470)	(610)	(750)
Opening cash	200	280	370	360	240	190	240	80	(30)	(190)	210	10	40	200	200	200	200	200
Closing cash	280	370	360	240	190	240	80	(30)	(190)	210	10	40	(130)	(130)	(130)	(270)	(410)	(550)

In the above analysis cash outflow (timing and amount) have remained static but cash flows have stayed the same while the cash inflows have been sensitized.

CASH CONVERSION

- ▶ In normal times we focus on profitability, during COVID times we need to focus on cash flow
- ▶ Focus on managing expenses and collecting receivables
- ▶ Bill often - bill quickly
- ▶ Don't be afraid to ask for payment on outstanding receivables
- ▶ Ensure your invoices are accurate
- ▶ Early payment discounts



CENTRALIZE CASH PAYMENTS

- ▶ Centralize the responsibility for payments to limited individuals
- ▶ Implement processes for disbursement
- ▶ Create a “Cash Culture”
- ▶ Prioritize spending




REVISIT YOUR COSTS

- ▶ Are the cost discretionary
- ▶ Can costs be delayed?
- ▶ Should costs be delayed?
- ▶ Review your invoices closely and are you paying the right amount?



THINK OUTSIDE THE BOX

- ▶ Are there different opportunities that should be explored
- ▶ Are there non-traditional referral sources
- ▶ Use of e-marketing to share ideas and articles
- ▶ Update your online profile or bio



Would you be interested in another webinar by these panelists in October?



QUESTIONS

Thank you for attending.

jparisi@bdo.ca