



Welcome!

A Profit Improvement Process

Featuring

Cash Flow Management

Presented by

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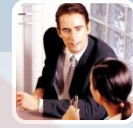
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Overview

KPI & Analysis

What is Cash Flow?

Financial Reports

Wow Facts & Discussion Points

- Accounts Receivable
- Accounts Payable
- Revenue
- Expense

Accurate Data

Cash Flow Interview



Cash Flow

What is Cash Flow? : All transactions that touch your bank accounts. Transactions that effect both the Balance Sheet and Profit & Loss. This is why bank reconciliations are so important.

01

Deposits

05

Loan Payments

02

Expenses

06

Owner Draws from Bank

03

Bill Payments

07

Owner Investments to Bank

04

Transfers to Other Accounts

Biz Tip: Bank Reconciliations are completed to verify that all transactions have been accounted for and all errors are corrected in a timely matter. Your data file should match your bank statements.



Accounts Payable – Discussion Points

Accounts Payable Process

Policies and procedures must be **efficient and accurate** so that the business' financial statements are accurate and complete.

Setup a weekly bill pay process, use your reliable reports to determine what you owe the following week.

Stay on top of your Receivables so you can meet your bill pay requirements. Be proactive.

Vendor Invoice

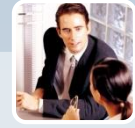
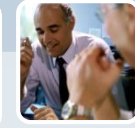
The vendor or supplier will send an invoice when goods or services are purchased on credit. Each vendor invoice will be routed to the A/P department for processing.

After the invoice has been verified and approved, the invoice amount will be credited to the Accounts Payable Account and debited to another account.

Vendor Statements

Vendors send statements to indicate invoices that have not been paid. The statement needs to be compared to the records. Since businesses receive both invoices and statements from vendors, there is a potential for double payment.

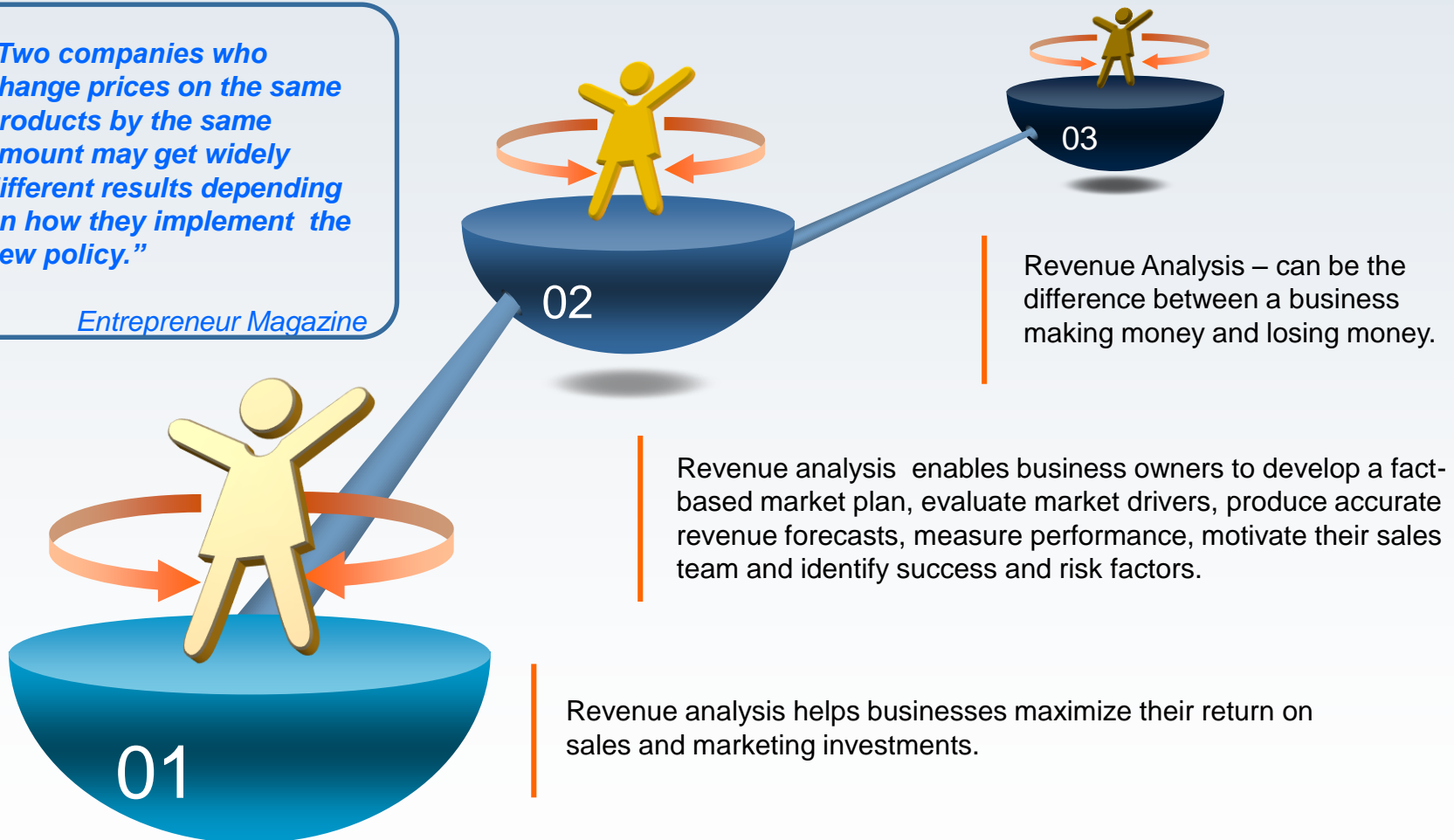
The following rule must be established: Pay only from invoices; never pay from statements. If an invoice is missing, contact the vendor for a copy.

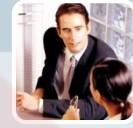


Revenue - Wow Fact

“Two companies who change prices on the same products by the same amount may get widely different results depending on how they implement the new policy.”

Entrepreneur Magazine





Cash Flow Interview

2. What do you consider to be your biggest challenge in each area:

Accounts Receivable _____

Accounts Payable _____

Revenue _____

Expense _____

3. Do you use Key Performance Indicators (KPIs) and Key Ratios to analyze each of the following areas?

Accounts Receivable? Yes ___ No ___

Accounts Payable? Yes ___ No ___

Revenue? Yes ___ No ___

Expense? Yes ___ No ___



Cash Flow Interview

15. Without looking, name your top 3 products or services.

_____, _____, _____

16. Without looking, can you name your top 3 customers? Yes___ No___

17. Do you know what your customers value from you? Yes___ No___

18. Do you separate your personal expenses from your business expenses? Yes___ No___







19. Are you aware that when you charge meals to your business, you are eating up cash flow? Therefore, eating your business. Yes ___ No___

20. Do you take draws? Yes___ No___ Are you aware that draws reduce cash flow and equity in your business? Yes___ No___

21. How do you ensure you have adequate cash flow to pay next month's bills?

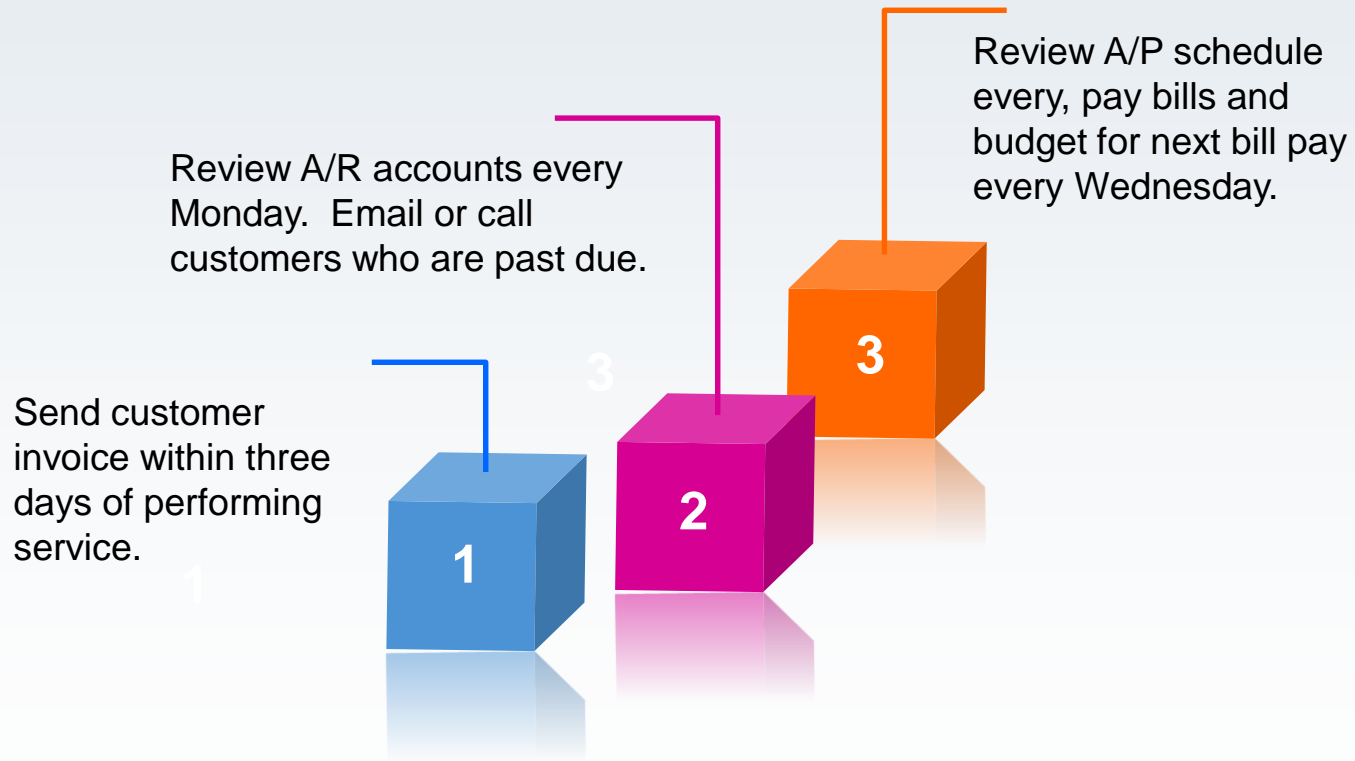


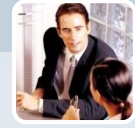
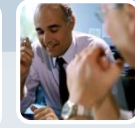
Basic KPIs

-  **Inventory days:** How many days has my inventory been sitting there?
-  **Accounts receivable days:** How many days does it take my customers to pay me?
-  **Accounts payable days:** How many days does it take me to pay my suppliers?
-  **Operating Cycle:** How many days are there between receiving inventory and receiving payment from customers for sale of inventory?
-  **Cash Cycle:** How many days does the company go without receiving new cash?
-  **Cash Cycle** How long does the company go without new cash?



Doable Action Steps





Accounts Payable - Best Practices

01

● **Weekly Accounts Payable Management** (Use Reports)

02

○ **Segregation of Duties**

03

○ **Confirm You Have the Vendors W-9**

04

○ **Difference Between Bills and Statements**

05

○ **Document the Invoice Approval Process**

06

○ **Keep Vendor Records Up to Date**

07

○ **Establish Accounts Payable Policies**



Sample Policy

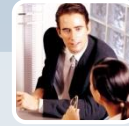
2) Credit Management:

A business can speed up collections by issuing invoices as soon as the sale is complete. Your policy must detail when the sales department reports sales and when the accounting department should issue the invoice. Procedures should detail what you want included on the sales report, how to prepare it and where, and to whom to send it. Your procedures should include details of:

Customers who request Credit Terms should complete a Credit Application. It is easy to perform a credit check and we have listed a reliable and cost-effective resource in the back of the workbook as a reference.

Your company policy should specify:

- **Which customers can open accounts? – How is that determined?**
- **Types of credit terms** - e.g., Cash on Delivery (COD), 2% Net 10, 1% Net 15, Net 30. Some companies only offer Net 10 and some require a deposit up front with the balance on terms.
- **Details of your credit approval process.**



Collection Recommendations and Timeline Sample

Prior to Due Date - Courtesy call to customer to make sure merchandise was received as ordered (or service delivered as agreed) and a reminder of terms of sale.

This is the most important call as it is a positive approach to confirm the merchandise (service) was received in satisfactory condition. The customer is not past due so the call is not uncomfortable.

30 Days - Send Collection Letter One (see sample). Not only will this remind them of the balance owed, but will eliminate lost invoices from stalling payment.

45 Days - Collection Call Two – Ensure there is no problem with payment being sent, seek a commitment for the timeframe in which it will be sent. Send Collection Letter Two (see sample) if unable to reach the right person at the company or at 50 days, if they committed to send it, but it has not been received.

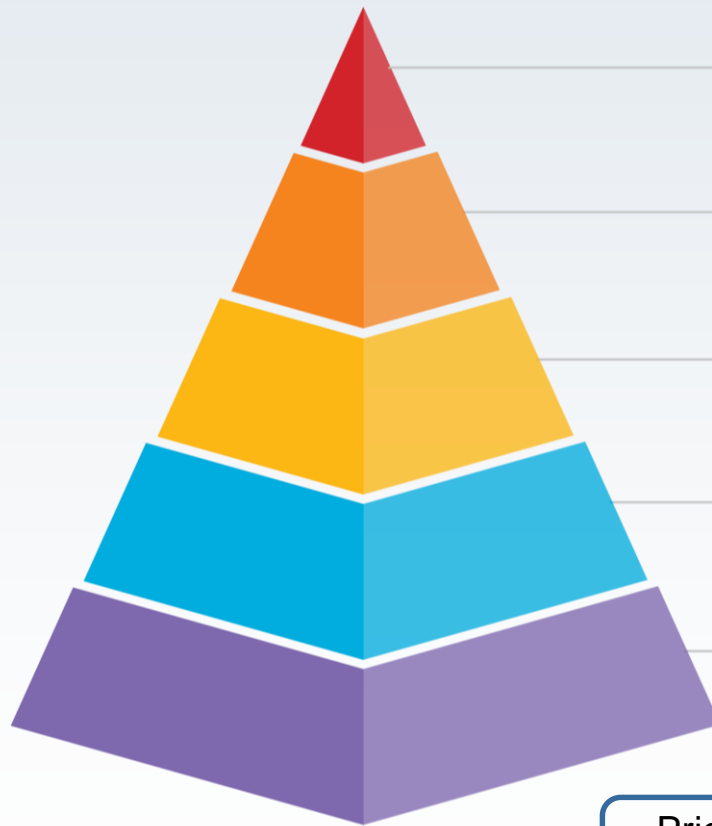
60 Days - Collection Call Three– Attempt to come to a payment arrangement that will prevent the matter from being turned over to a collection agency.

75 Days - Send Collection Letter Three with final demand (see sample) through certified mail.

90 Days - Turn over to a collection agency.



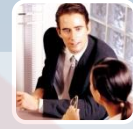
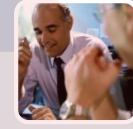
What's Next?



- Profit Improvement Process, Tax Strategy, Projections and more...
- Tax Services
- Bookkeeping Services
- Additional Training Data Cleanup
- Additional Seminars

- Do you need additional training?
- Do you need support cleaning up your data file?
- Do you need help with Policies, Process and Procedures?
- Do you prioritize your doable action steps and set goals?

Prioritize your needs and goals, create doable actions steps and focus on forward action, not perfect action.



Profit Improvement Process Modules

Available:

- Accounts Receivable
- Accounts Payable
- Revenue
- Expense
- Internal Controls
- Budget
- Payroll
- Pricing
- Fixed Assets
- Inventory

Coming Soon:

- Human Resources
- Finance & Debt
- Tax Analysis