Cash flow for small business success

Fast facts

Important things to know about cash flow

Good cash flow management practices are vital for a strong and successful business.

The challenge for your business is to ensure that you manage your cash flow so you don't run out of money.

It will help to understand these cash flow terms.

- Cash accounting means recognising cash coming into your business when you actually receive it and recognising cash going out of your business when you actually spend it.
- Cash surplus or positive cash flow is when cash flowing in from sales is more than the amount of the cash flowing out through expenses, salaries, other operating costs and for your personal use.
- Cash deficit or negative cash flow is when cash flowing in from sales is less than the amount of cash flowing out through expenses, salaries, other operating costs and for your personal use.

You can use the cash accounting method to work out your cash flow position.

Map your cash cycle

Map your cash cycle for three months. This will help you understand how cash is flowing in and out of your business.

- Label each month
- Record cash in for each week
- Record cash out for each week.

Analyse your cash flow

Gather the following cash flow data into a spreadsheet to work out your cash flow position.

- Timeframe and frequency of your records
- Opening balance (Cash on hand)
- Cash receipts (Cash in)
- Goods and services tax (GST) on sales
- Cash paid out (Cash out)
- GST on purchases
- Pay as you go withholding
- Super amounts
- Cash surplus amount
- Income/Company tax
- The amount available to spend
- Owner withdrawals
- Closing balance
- Total tax and super

- Stock
- Debtors
- Creditors
- Loans

Analyse your business cash flow by answering four key cash flow questions

- What is my cash position?
- How much do I need to pay in tax and super commitments?
- How much does my business have available to spend?
- Has my business improved?

Test your cash flow improvement strategies

Use a cash flow spreadsheet to test whether potential changes in your business will give you the cash flow results you are aiming for.

Track your cash flow

Track your cash flow progress regularly by comparing your current cash flow figures against your previous figures.
Check whether your business cash flow is improving and check it against the results you are aiming for.
Set up a regular date to review your cash flow position, preferably with a trusted advisor.

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