

SHOW ME THE MONEY!



THE CASH FLOW STATEMENT

What Management Really Needs From Accounting

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Introduction

- What Management Gets
- The Cash Flow Statement
- CFS - The Right Tool
- Creating the CFS
- Not Enough Cash
- The Options
- Too Much Cash
- Bootstrapping



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What Management Gets

1. **The Financial Statements**
 - a. Balance Sheet
2. **Income Statement**
 - a. Income – Expenses
3. **Statement of Cash Flow**
 - a. How Balance Sheet Was Used
4. **History**
 - a. Show Where You Have Been



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What Management Needs

1. What Management Needs
 - a. Where It Is Going
2. How to Get There – Time + Money
 - a. What that Looks Like – Financially
3. Cash is King
 - a. Those Who Have It Rule



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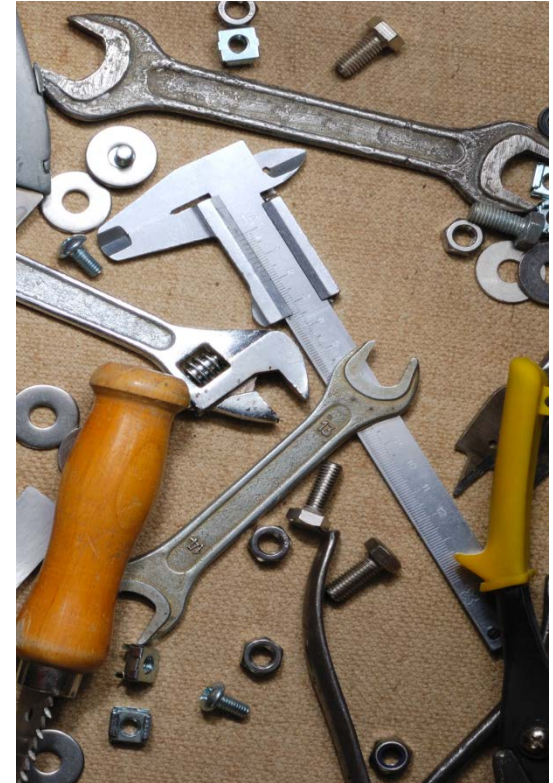
CFS - Measures

1. **Ebbs & Flows**
 - a. Cash - Always Needed
2. **All Cash Options**
 - a. Operations, Investing, Financing
3. **Control Cash – Control Destiny**
 - a. Must Be Managed



CFS – The Right Tool

1. Know How to Manage Cash
 - a. Critical Management Skill
2. Internal Management Use
 - a. GAAP Does Not Apply
3. Tool for Decision Making
 - a. Quantifies Unknowns



Creating a CFS

1. **Follow the Money Trail**
 - a. Know Your Business Model
2. **Converting to Monthly Basis**
 - a. Revenue & Expenses
3. **Where to Begin**
 - a. Calendar of Fiscal Year
4. **Formula is Simple**
 - a. $\text{Expenses} - \text{Receipts} = \text{CF}$



The Cash Flow Statement

YOUR COMPANY NAME Projected Cash Flow Statement

CASH IN		Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	TOTAL
CASH IN	1 Cash Receipts													
	2 Cash Sales													\$ -
	3 Credit Sales													\$ -
	4 Cash from Owners													\$ -
	5 Cash from Loans													\$ -
	5 Other Cash Sources													\$ -
	(A) Total Cash Receipts (A1...+A5)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CASH OUT	6 Cost of Goods Sold													
	6 Direct Material	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	7 Direct Labor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	(B) Total Cost of Goods (B6+B7)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	(C) Total Available Cash (A - B)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	8 Gen/Admin/Sales													
	8 Rent													\$ -
	9 Telephone													\$ -
	10 Utilities													\$ -
	11 Insurance													\$ -
	12 Taxes													\$ -
BALANCE	13 Interest on Loans													\$ -
	14 Gross Admin Payroll													\$ -
	15 Professional Services													\$ -
	16 Advertising													\$ -
	17 Auto/Delivery/Travel													\$ -
	18 Office Supplies													\$ -
	19 Repairs & Maintenance													\$ -
	20 Misc. Expense													\$ -
	(D) Total Overhead (D8...+D20)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	(E) Total Remaining Cash (C - D)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	21 Other Expenses													
	21 Principle Payment													\$ -
	22 Equipment Purchase													\$ -
	23 Reserve/Savings													\$ -
	24 Owners Draw													\$ -
	(F) Total Other Expenses (F21...+F24)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	(G) Net Cash Flow (E - F)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Beginning Balance (Starting Cash)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	*Ending Balance (G + Beg. Bal.)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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*NOTE: The monthly Ending Balance becomes the Beginning Balance for the next month.

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Not Enough Cash

1. Managing **Red Ink**
 - a. Test of a Good Manager
2. Problem Solvers
 - a. Apply Your Skills
3. Maximum Cash Burns Rate
 - a. Startups + Growing
4. CFS Pro-Active Approach
 - a. Not Reactive



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The Options

1. **Increase Sales**
 - a. Use Non-sales staff
2. **Speed Up Collections**
 - a. Offering Discounts
3. **Reduce Expenses**
 - a. Communicate Venders
4. **Financing Options – Debt**
 - a. Talk to Your Banker
5. **Increase Paid-In-Capital – Equity**
 - a. Talk to Investors



Too Much Cash

1. When You Have Too Much Cash

a. Yes and it is a problem

2. Managing that Cash

a. Maximum Returns.

3. Days of Cash Calculation

a. Formula:

$$(\text{Cash Equivalents} + \text{Cash}) / (\text{Total Income}/360)$$



Summary

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Bootstrapping

**SELF-SUSTAINING PROCESS THAT
PROCEEDS WITHOUT EXTERNAL HELP!**

- WHAT ARE YOUR **IDEAS**?
- COMMENTS/QUESTIONS?



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