

## 5 Steps to Manage Cash Flow

Many in the construction business tend to undervalue the importance of cash flow. Too often business owners recognize the importance of cash flow only once they find themselves cash poor and in a financial bind. To avoid the perils of uneven cash flow, there are five steps to measuring, monitoring and managing the cash that moves in and out of your business.

### 1. Know Where You Stand

A cash-flow statement shows the movement of money in and out of a business over a specific period of time. A cash-flow statement will show not only what cash is left at the end of the month, but also the amount that entered and left the business making it easy to see whether you're adding to your business's reserves over time or slowly eroding them.

### 2. Go to the Source

Cash-flow problems can arise from either end-of-the-business-cycle spending or receiving. Consider periods of growth when your company needs to invest in equipment, supplies and labor—especially during peak seasons. It's necessary to expand to take advantage of good market conditions, but growth expenditures can quickly deplete precious cash reserves.

On the other side of the ledger, there must be a steady flow of money coming into the business, or reserves will quickly run dry. Construction businesses are particularly prone to this situation because they essentially extend credit to customers until the completion of a project. Negotiating an adequately large initial payment and appropriately frequent subsequent payments is critical to maintaining cash flow.

### 3. Keep Cash Flowing

Hire only the labor you truly need, and make careful decisions about expenses such as equipment purchases. Consider renting or leasing instead of buying. Delay material purchases until the materials are really needed. Delaying purchases by just a few days can make all the difference.

Try to negotiate terms with vendors that will allow you to defer payment beyond the typical thirty days and reward you with a discount for paying early.

To ease the accounts receivable process, make sure what you're owed arrives on time by setting clear payment terms and expectations. It's important to be diligent on follow-up and it's critical to stay on top of collections.

### 4. Have a Fallback Plan

You should make sure your company is prepared with several sources of financing in advance. Some financial institutions may be more likely to extend lines of credit or loans to your company

when it is in good financial health, and less likely when cash-flow problems have already taken a toll on your finances.

### 5. Manage Growth

Consistent growth is the best way to smooth out bumps in cash flow. When growth opportunities arise, plan carefully with an eye on cash-flow projections. Make a conscious decision about how much you must spend to reach your goal and how long it will be before you pay back the debt.

Every investment, whether in supplies, labor or equipment, should have a clear return. Make sure each earns a profit, but also look at how long it will take to collect them. Likewise, if you look at each customer as an investment with a scheduled return, you'll not only improve cash flow, but also profitability.

## Tech Support Issues



### Calls From Our Customers

*One of our employee's washed his payroll check. How can I reprint a payroll check after records have been posted?*

Locate the payroll record. Replace the existing check number with four zeros, 0000. Save the record and re-print the check from menu 5-2-4. You may want to log a voided check at menu 1-1 with a note as to why the voided check.

*How do I prevent people from posting directly to our prior year?*

Open the archive company and log in as Supervisor. At menu 7-3-1 Security Groups, change the rights to "No" for all groups and save the settings. This will stop everyone from posting directly to this company however, you may still post to period zero from the current company unless you choose to lock it.

