



Cash Management

Day to Day Best Practices

By

John L. Daly

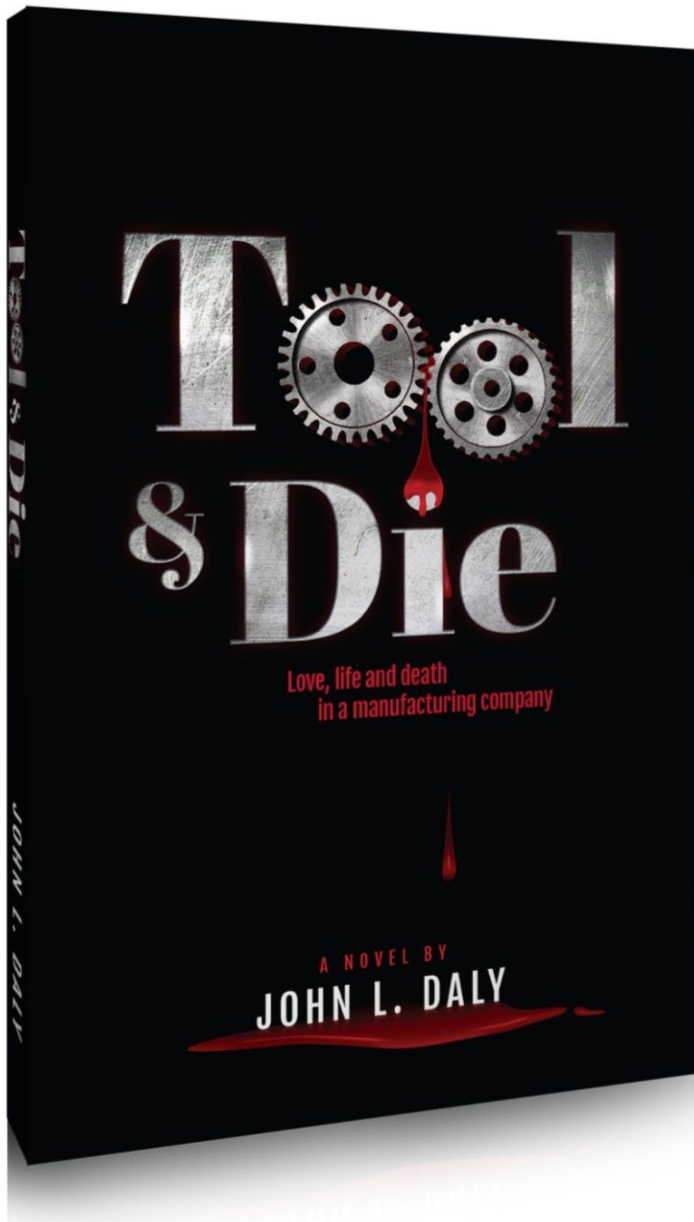
MBA, CPA, CMA, CPIM

About the Author

John is a former CFO who has worked in several different industries. He does pricing and costing consulting and authored ***Pricing for Profitability*** published by Wiley & Sons. His most recent book is a novel, ***Tool & Die.***



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MBA, CPA, CMA, CPIM



The Human Story of Business

Daly's tale contains plenty of business substance for readers interested in management and finance, but its charm lies in the human side of his story...

- DMarie in SC

Cash Management

- Process of managing cash flows
- Same as ***treasury management***
- Includes:
 - Keeping cash secure
 - Granting credit
 - Managing payables & receivables
 - Investing available funds
 - Obtaining debt & equity financing
 - And much more...

What's in It for Me?

Understand how to:

- Develop ST cash projections
- Assure adequate availability without idle cash
- Use bank cash management services
- Manage credit and collections
- Manage cash short-falls

Discussion

Your Cash Management Challenges?



Term - Working Capital

Cash	\$ 53,109	}	Current Assets
Accounts Receivable	1,059,276		
Inventory	<u>523,187</u>		
Gross Working Capital	\$ 1,635,572		
Accounts Payable	(755,419)	}	Current Liab.
ST Portion of Debt	<u>(254,095)</u>		
Net Working Capital	626,058		

Working Capital - Alternate

Cash	\$ 53,109
Accounts Receivable	1,059,276
Inventory	<u>523,187</u>
Gross Working Capital	\$ 1,635,572
Accounts Payable	<u>(755,419)</u>
Net Working Capital	880,153

Causes of Cash Mgt. Problems

1. Inadequate understanding of cash flow cycle
2. Poor understanding of profit versus cash flow
3. Inadequate cash management skills
4. Bad decisions
 - a) Owner distributions
 - b) Capital investments



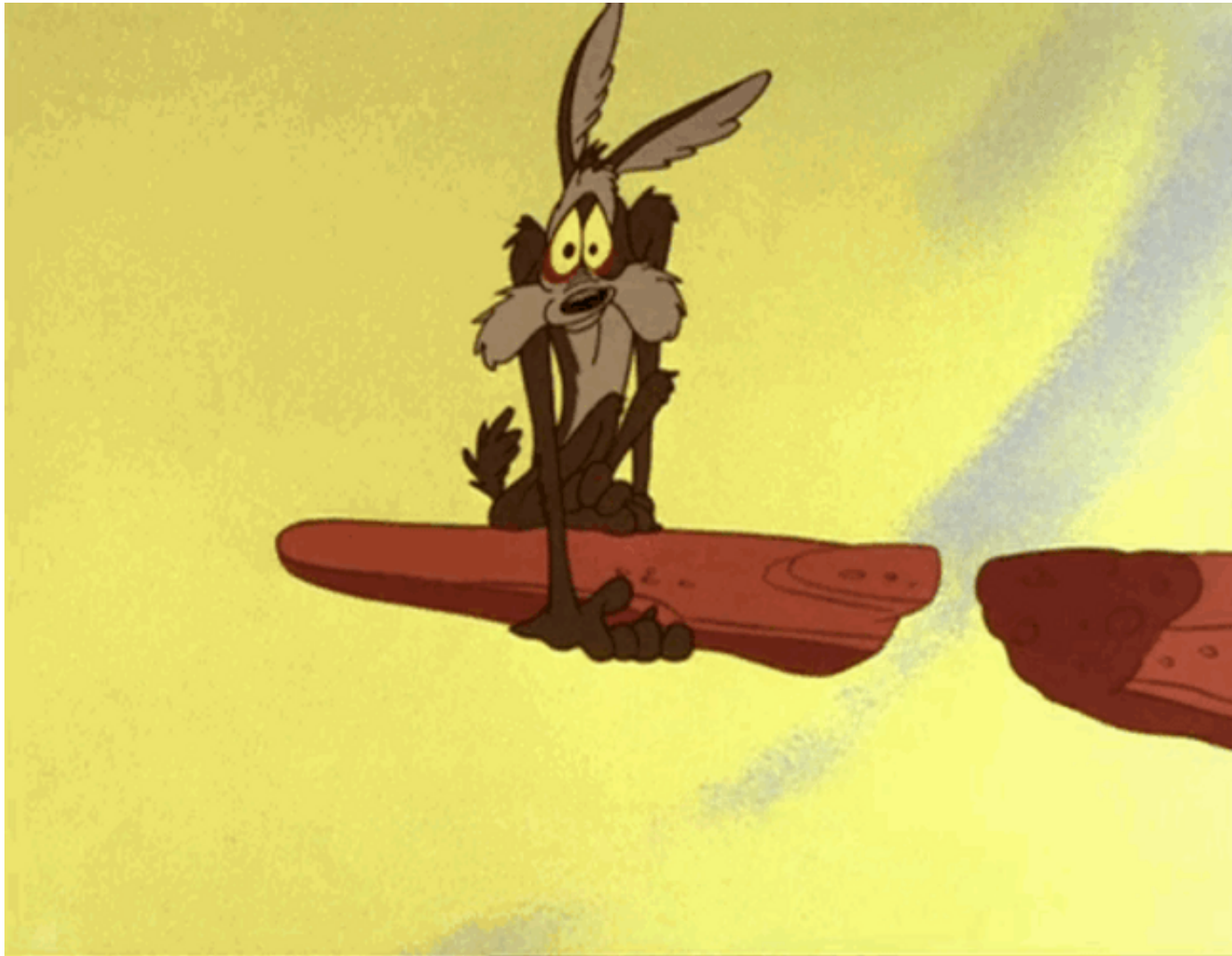


McDonald's
HAMBURGERS
OVER 15 BILLION SERVED

CENTRE
GOODYEAR

McDonald's

Cash Flow Projections



Cash Flow Projections



Cash Flow Projections

- GAAP
 - Operating
 - Financing
 - Investing
- Sources & Uses

AR & AP Aging Reports

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**Executive Education, Inc.
Aged Receivables
As of Jul 31, 2021**

Filter Criteria includes: 1) Includes Drop Shipments. Report order is by ID. Report is printed in Detail Format.

Customer ID Customer Bill To Contact Telephone 1	Invoice/CM #	0-30	31-60	61-90	Over 90 days	Amount Due
BPN	4962		30,890.00			30,890.00
Business Professionals' N	4961	540.96				540.96
James J. Parente						
BPN		540.96	30,890.00			31,430.96
Business Professionals'						
Crossings	4960		12,190.85			12,190.85
CPA Crossings, LLC		1,980.00				1,980.00
John Higgins						
877-370-2220						
Crossings		1,980.00	12,190.85			14,170.85
CPA Crossings, LLC						

Sources & Uses

	A	B	C	D	E	F	G
1	Fairlane Tool & Manufacturing						
2	Sources and Used of Cash						
3		Week Ending	Week Ending	Week Ending	Week Ending	Month Ending	Month Ending
4		7-Jul	14-Jul	21-Jul	28-Jul	August	September
5	Sources						
6	Ford Motor Company	5,189,274		4,872,196		5,030,735	8,552,250
7	Stellantis				1,897,435	1,138,461	1,404,102
8	Mazda Motors				1,077,548	668,080	743,508
9	Honda	375,231			385,231	254,252	261,957
10	Toyota	267,115		397,525		365,552	432,016
11	All other	23,874	8524	21,667	4,628	42,259	34,652
12	Total Sources	5,855,494	8,524	5,291,388	3,364,842	7,499,339	11,428,485
13							
14							
15	Uses						
16	Steel Dynamics	3,396,187		3,174,833	942,156	3,281,090	5,828,527
17	Kenwal Steel	1,112,544		1,058,278	706,617	1,649,855	2,285,697
18	Precision Steel Treating	267,011		241,287	86,140	191,983	292,569
19	PPG Coating Services	381,778		397,912	219,388	488,957	745,137
20	Decker Nut	256,471		231,763	147,380	328,471	500,568
21	All others	110,669		100,007	63,596	141,738	215,998
22							
23	Payroll		734,267		737,569	1,582,224	1,545,428
24	Total Uses	5,524,659	734,267	5,204,080	2,902,845	7,664,317	11,413,925
25	Net Sources (Uses)	330,835	(725,743)	87,308	461,997	(164,978)	14,560
26	Beginning Balance	657,925					
27	Projected Cash Balance	988,760	263,017	350,325	812,322	647,345	661,905

Report Writer Issues



Don't Print & Hold Checks



Cash Management's 3 Rules

1. Get the cash
2. Get the cash
3. Get the cash

Cash Management's 10 Rules

1. Never run out of cash
2. Cash is king (no cash = no business)
3. Know the cash balance right now
4. Do today's work today
5. Do the work or have someone else do it

Cash Management's 10 Rules

6. Don't manage from the bank balance
7. Know your expected cash balance six months from now
8. Cash flow problems don't "just happen"
9. You must have cash flow projections
10. Eliminate your cash flow worries so you can take care of customers and make money

Credit and Collections



Credit



Granting Credit



Limit Risk

“If you owe the bank \$100, that’s your problem. If you owe the bank \$100 million, that’s the bank’s problem.”

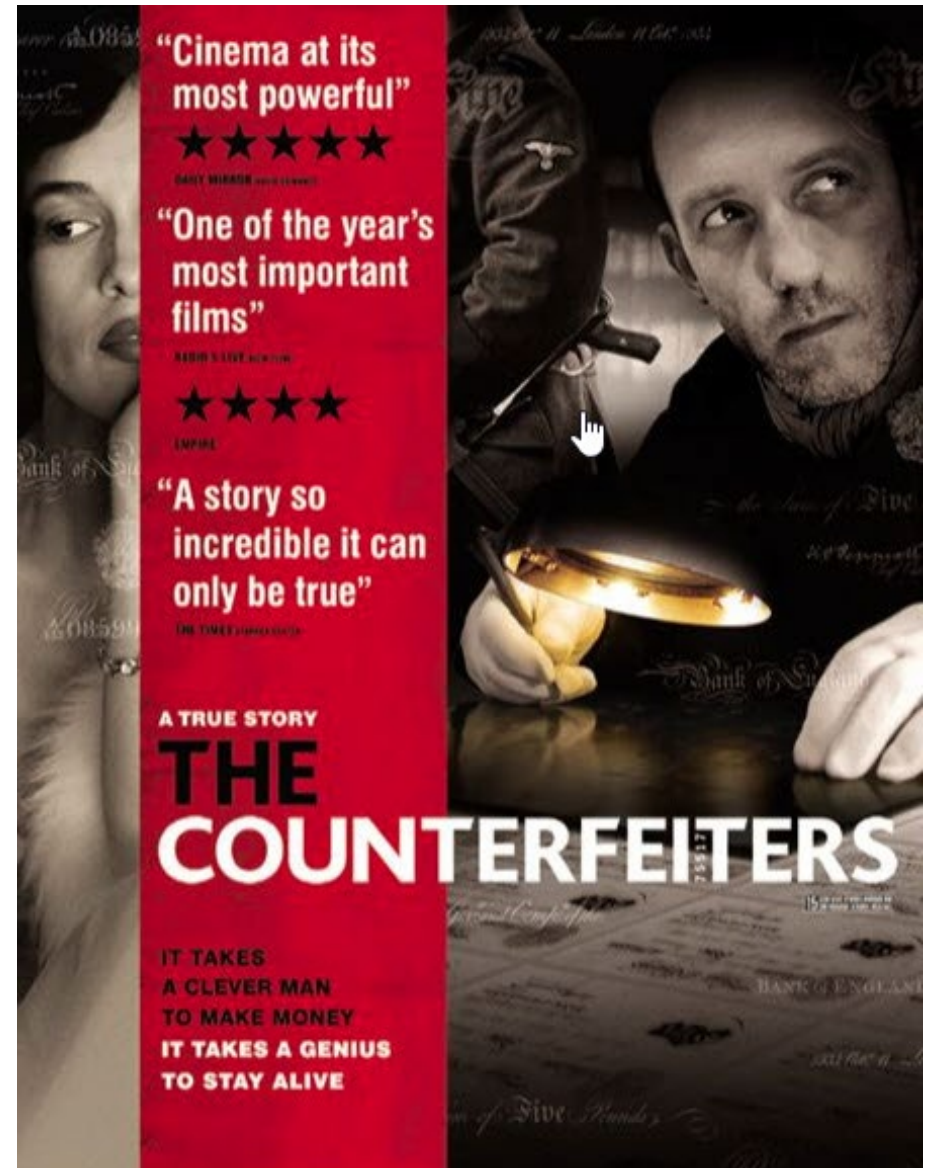
– John Paul Getty



Tiered Decision-Making?

- More than \$250,000 - CEO or Board
- \$50,000 to \$250,000 - CFO
- \$500 - \$50,000 - Credit Manager
- Up to \$500 - Clerk

Avoiding Credit Losses



Counterfeit Cash



Credit Terms

- Net 30 most common
- 1%/10, Net 30?
- Net 10?

Cash vs. Credit Cards

- 1. Convenience:** Credit cards are more convenient.
- 2. Online Purchases:** Credit Cards facilitate online purchases
- 3. Security:** Credit card payments are more secure, less susceptible to theft or loss, easier to trace.
- 4. Costs:** Credit card companies charge processing fees; Companies use time and resources counting and depositing the cash.
- 5. Accounting:** Credit card payments are easier to track and record. Cash requires manual counting and recording.
- 6. Customer preferences:** Some customers prefer to pay with cash, while others prefer to use credit cards.

Conclusion: Consider offering multiple payment options to give customers more flexibility and convenience.

Getting Paid Faster



Collections



Electronic Collections

1. Online Payment Processing: Businesses can use online payment processors like PayPal, Stripe, or Square to receive payments from customers electronically.
2. Electronic Funds Transfer (EFT): EFT is a way to electronically transfer funds from one bank account to another. The two main types of EFTs are ACH (Automated Clearing House) and Wire Transfer.
 - a. Wire Transfers are processed in real-time, while ACH transfers are batched and processed in batches.
 - b. ACH transfers typically take 1-3 business days to complete, while wire transfers usually complete within the same day or less
 - c. Banks generally charge less for ACH transfers and more for wire transfers.
 - d. ACH transfers are typically used for recurring payments, Wire Transfers are used for one-time, high-value transactions.
 - e. Security: Wire transfers are considered more secure than ACH transfers, as wire transfers are processed in real-time and can only be reversed or canceled under certain circumstances. In contrast, ACH transfers can be reversed or canceled by the sender or the receiver within a certain timeframe.
3. Payment in Crypto

Pulling Payments

ACHs can pull money from a customer's bank account' using a process called Automated Clearing House (ACH) debits.

You need customer's authorization and bank account information.

Use your bank or a third-party payment to set up

You must have the customer's proper authorization and comply with all relevant regulations.



Banking Services

Account Analysis



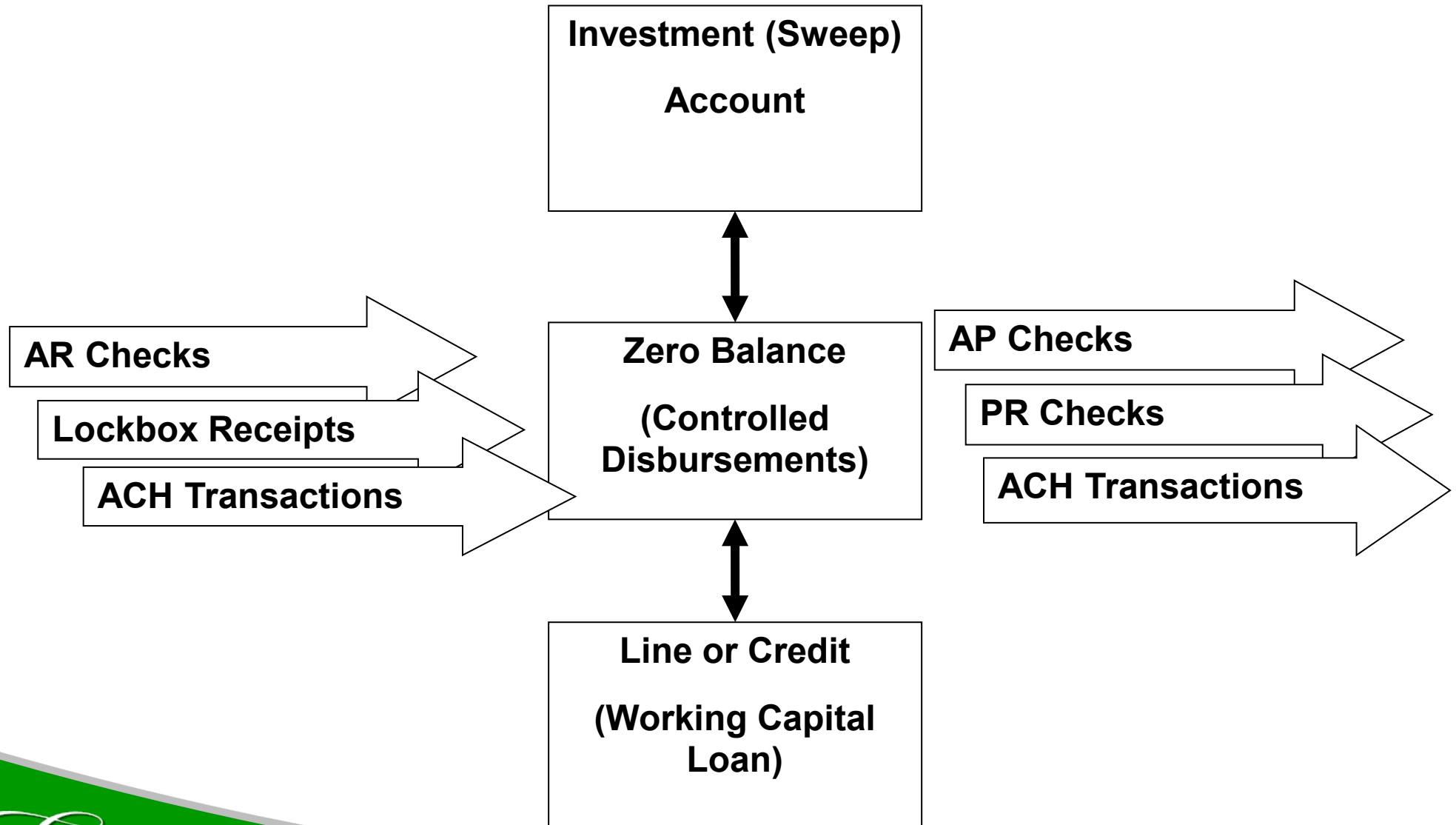
Paying for Bank Services

Two choices:

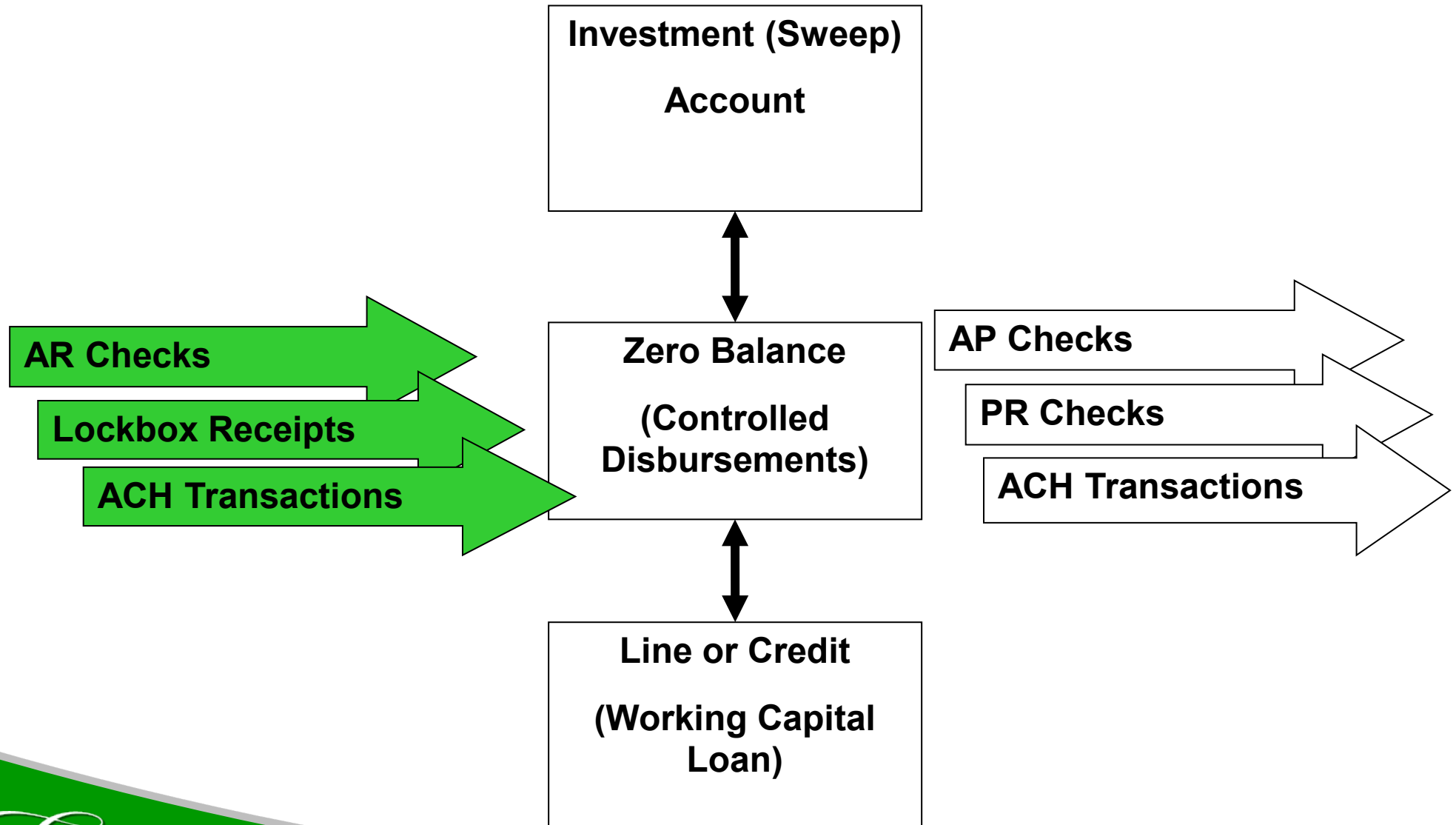
- Compensating balance
- Transaction fees



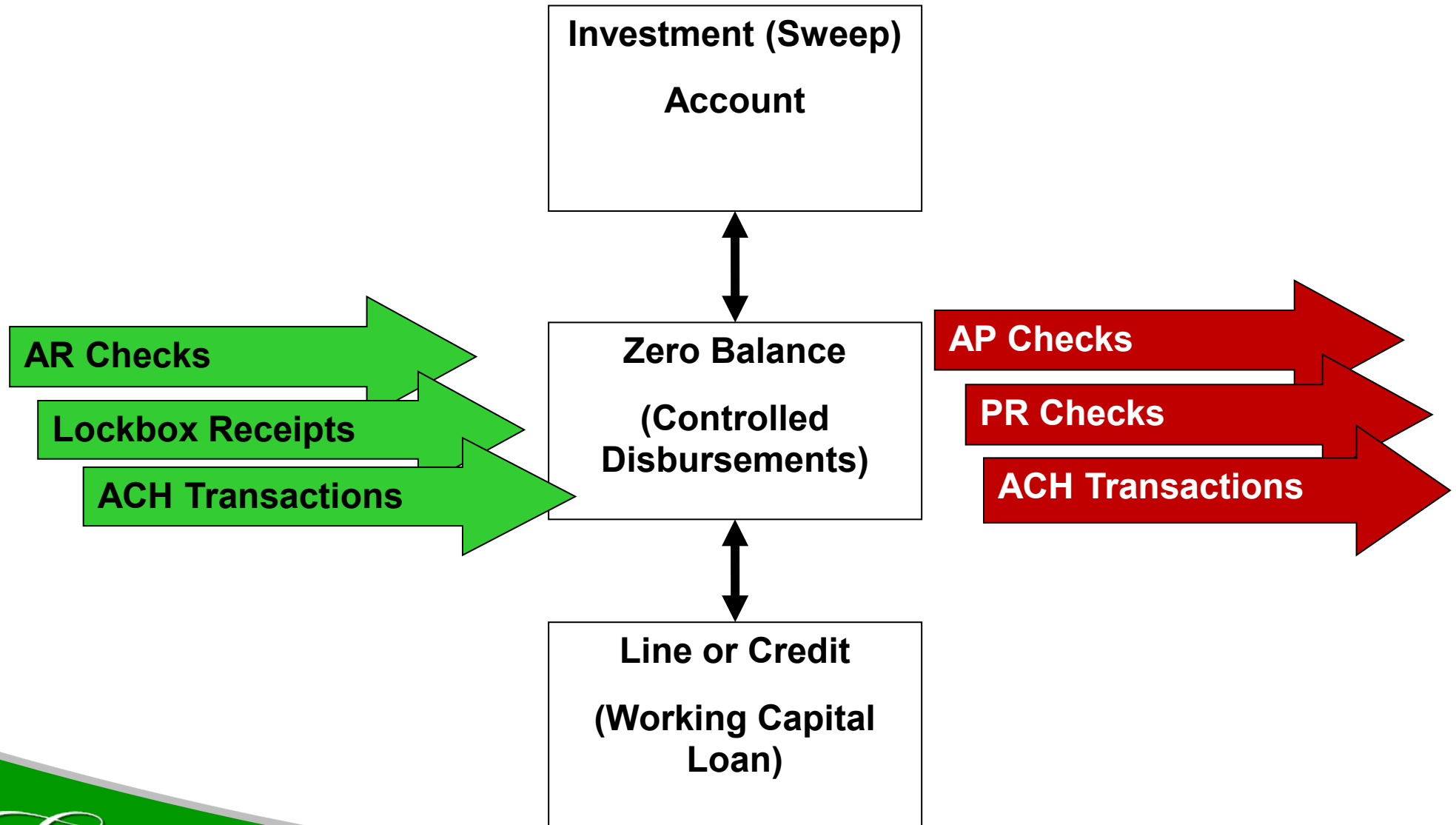
Zero Balance Accounts



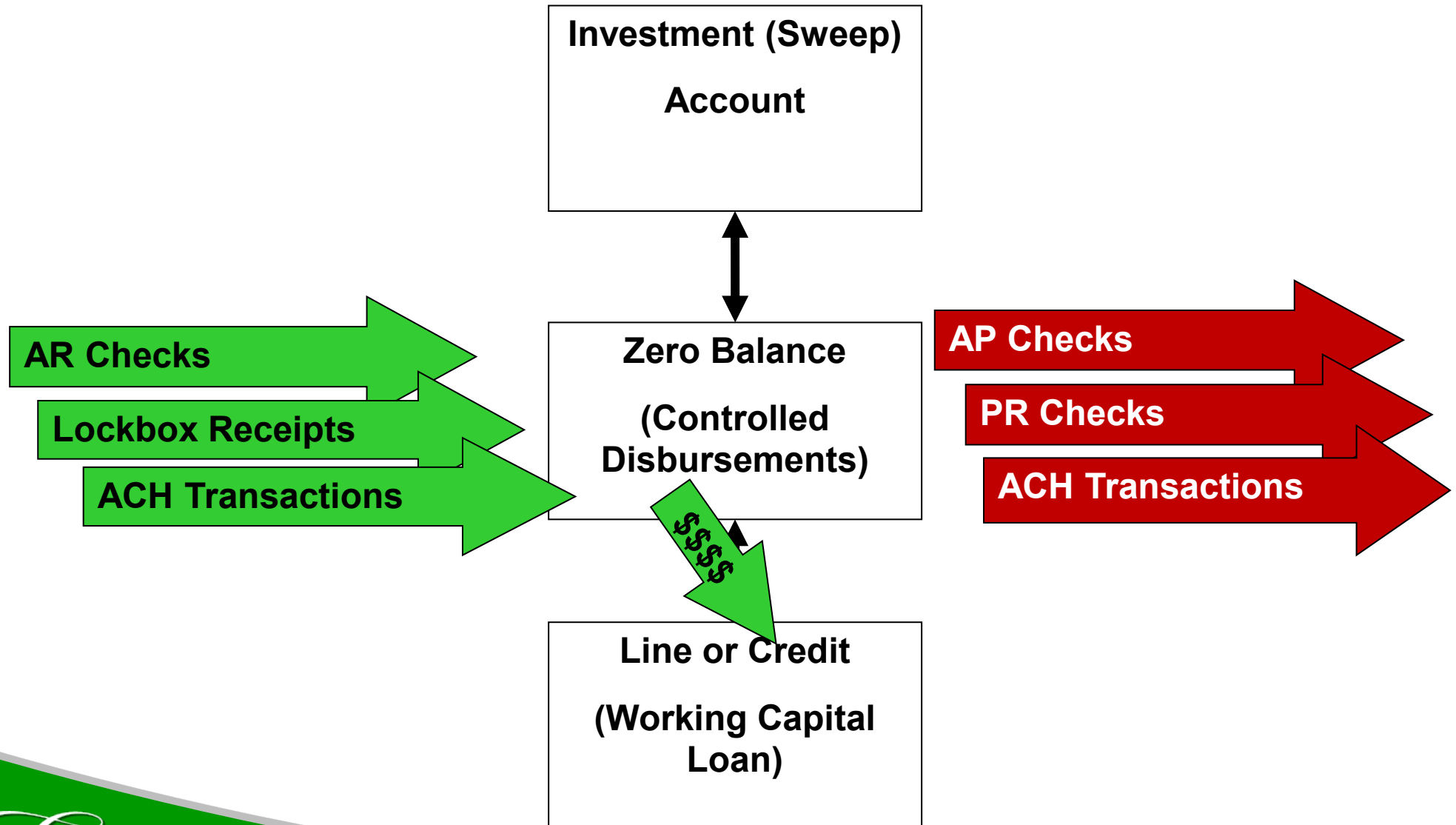
Zero Balance Accounts



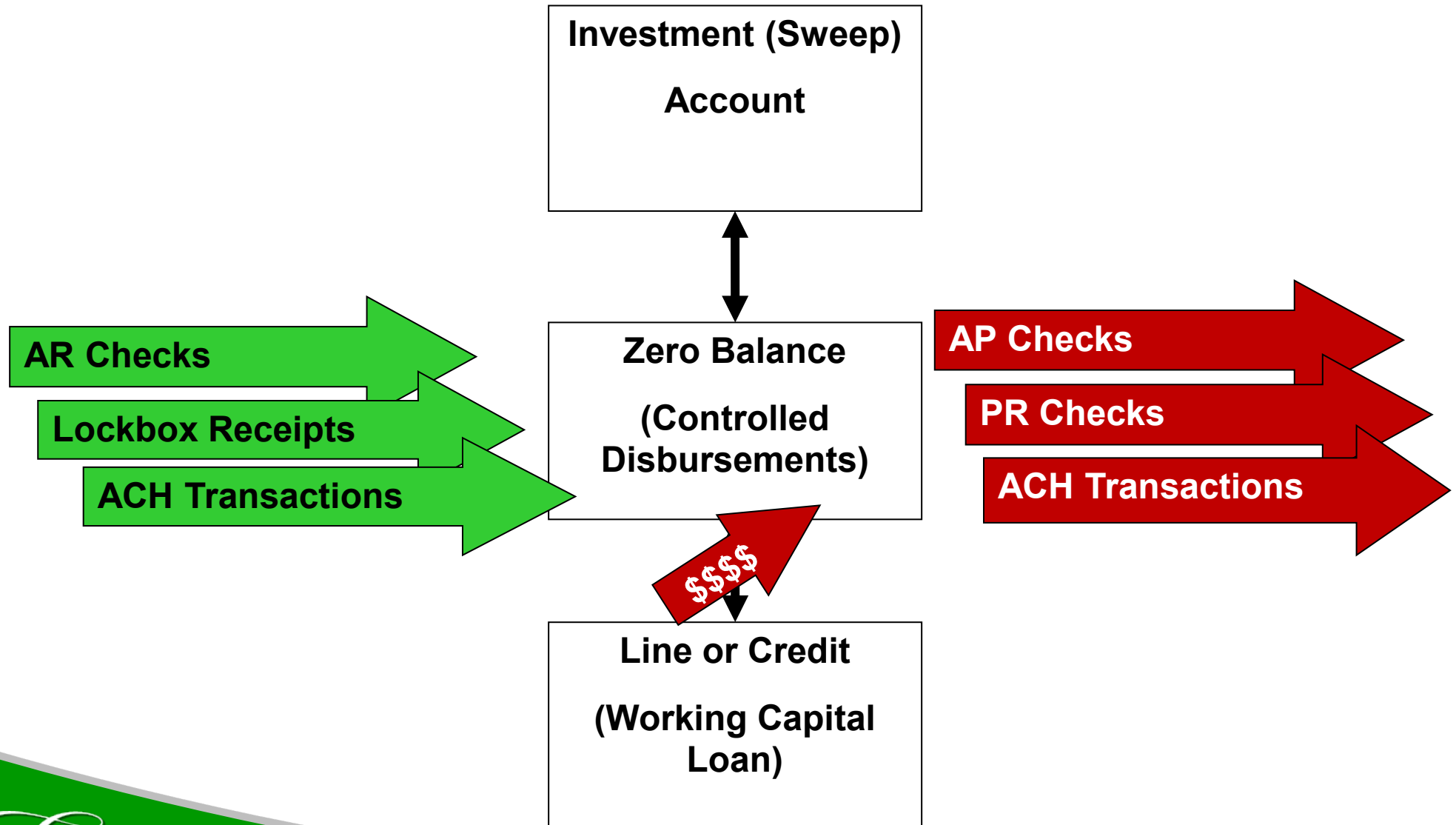
Zero Balance Accounts



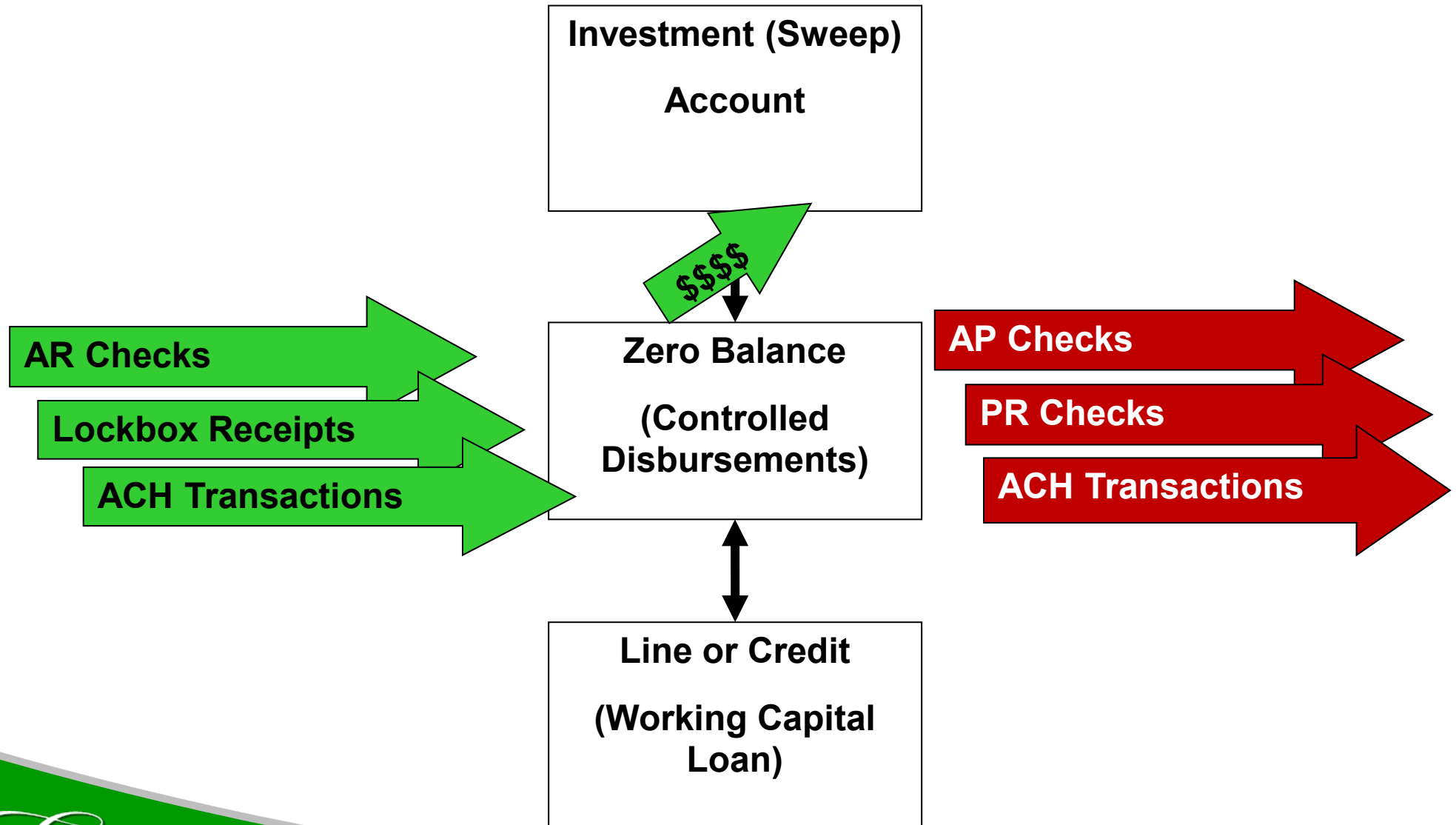
Zero Balance Accounts



Zero Balance Accounts



Zero Balance Accounts



Consolidating Accounts



Location 1 Account



Location 2 Account



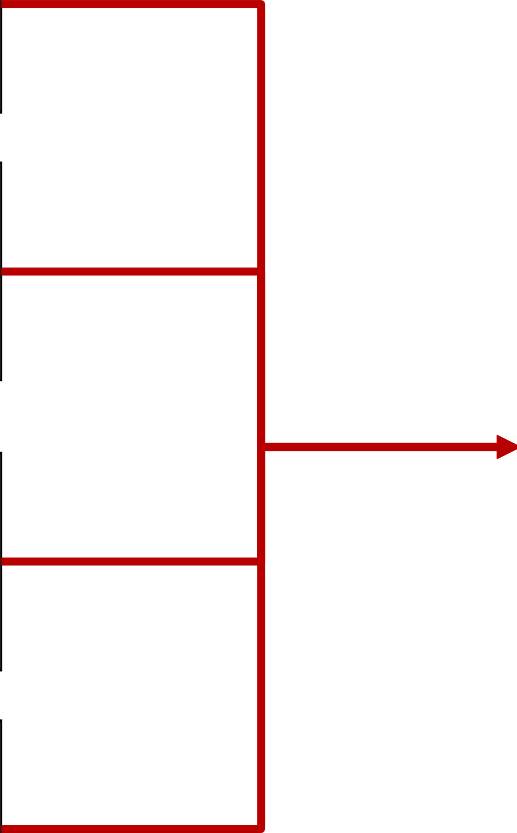
Location 3 Account



Location 4 Account



Consolidating Account



Excess Cash

Investment Types	Return	Risk	Liquidity
Sweep Accounts	Very Low	Very Low	Very Good
U.S. Treasuries	Very Low	Very Low	Very Good
Bond Mutual Funds	Conservative	Moderate	Limited under 90 days
Equity Mutual Funds	Aggressive	Moderate High	Limited under 90 days

Matching Assets and Liabilities



Managing Cash Shortfalls

Discussion

How Have You Managed Cash Shortages?



Work on Underlying Issues

- Well defined market niche
- Identify competitive advantage
- Maintain focus
- Identify value-added processes
- Benchmark, costs, quality and efficiency
- Create target P&L, BS and SCF
- Initiate projects to achieve objectives

Improve Asset Turnover

$$\text{Asset Turnover Ratio} = \frac{\text{Revenue}}{\text{Total Assets}}$$

Reducing Inventory



ASSOCIATION FOR
SUPPLY CHAIN MANAGEMENT

Stretching Payables



Polling Question #8

Longest You Have Stretched AP?

- a) Always paid currently
- b) 10 days over terms
- c) 11 to 30 days over terms
- d) 31 to 60 days over terms
- e) 61 to 90 days over terms
- f) More than 90 days over terms
- g) I don't know

Real World

Get the Cash?

sse Proforma Invoice

P.I. NO. 99663 / 2017-18

Company Address Here

Billing Address	Shipping Address
TechGuruPlus D-1234, Okhla Industrial Area, New Delhi-110020 Phone : 013552124512 GSTIN : 087614164111212	TechGuruPlus D-1234, Okhla Industrial Area, New Delhi-110020 Phone : 013552124512 GSTIN : 087614164111212

Invoice Date	Payment Terms	Due Date
April 8, 2017	30 days	May 08, 2017

Description	HSN Code	Qty	Unit Rate	Amount
Item 1	4564	3.00	50.00	150.00
Item 2	4154	2.00	100.00	200.00
Item 3	7878	3.00	200.00	600.00
Total				950
Freight Charges				500
Grand Total				1,450
SGST @ 9 %				131
CGST @ 9 %				131
Grand Total (Including Tax)				1,712

Thank you for your business !!

E.&.O.E.

Amount in Words :
One Thousand Seven Hundred & Twelve Only/- for Adventure Ranz Pvt. Ltd.
Please Make the Cheque in Favour of "Adventure Ranz Pvt. Ltd."
Authorized Signatory



80%

20%

Accounts Receivable/Sales

- Make AR a closed system
- Review past due accounts weekly
- Don't wait to invoice
- Use e-commerce

A photograph of a man and a woman sleeping peacefully in bed. They are both wearing white t-shirts and are covered with a light-colored, textured blanket. The woman is on the left, and the man is on the right. They are holding hands, and their eyes are closed, suggesting a deep sleep. The background is a plain, light-colored wall.

Sleep Well at Night!

Thank You!

Please share your thoughts and comments:

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