**How and Why You Should Track Your Cash Flow Weekly**

Welcome to the [Indiscernible] SCORE program about weekly cash vote these are for people who worry about business cash flow, does not matter if you have been in business for years or just getting started with the brand new idea nothing matters more than been able to have cash go into and out of your business. Today we will talk about cash flow in the business in the absolute best way for you to management and then other scarce resource, time.

The course is designed for people who do not have cut accounting a financial background and the course is designed to give you actionable tools to begin taking control of cash flow today. We will not talk about sophisticated cash statements but a way to lock your cash activity and a proven method for 24 cash flow. To maximize the key takeaways from this course it will be helpful for you to have a basic understanding of Excel.

All right, first

let us talk about why you need to keep an eye on cash flow on your business. It is stress. It is the number one side effect of running the business, there are great days and there are days when stress can be ever present or to the point of feeling panic. Usually stress and panic come from realizing your beliefs about your cash flows were too optimistic. No matter what the problem, likely distracting and in some way will eventually result in stress over money or cash flow.

Why am I Ken Yager talking to you? I am a 25 your expert on cash flow management and not only have I worked with hundreds of companies to fix their cash flow but an entrepreneur himself -- Maisel. I have been in your same shoes and have had the same elation and stress that comes with being a small business owner and for most small business owners cash flow is a constraint if not a frequent issue. Today's course is not about magic solution to remove cash were his but rather methodology and a tool to keep you ahead of what is coming at you from a cash flow perspective.

The this methodology provides you with more time to react to or off to be proactive about issues in your business which is immense value to you. Let us get started

When we look at cash flow we get to bonuses, first tracking cash flow is a metric. Metrics driven companies perform better over time, second tracking cash flow allows you to sleep at night and then you can start worrying about other things.

All right, there are pluses and minuses to cash flow planning or CSM as seen on this chart. It helps to look forward instead of backwards. Unlike other financial tools. NDA RCT eight -- or CPA degrees not required but helps you can give internally with a company with other people in your company. It is a good tool for talking to lenders and other out titers as well.

But there -- this is not something you can handoff to a bookkeeper. You have to know your business to be able to maintain a cash flow plan. As with any activity accuracy takes practice. The setup does take a little bit of time, and it requires weekly maintenance. Not a lot but does require to stay with it on a weekly basis. Good news is there is an answer that fits your busy schedule.

One final note on this topic,

there are some of you that believe that you can sell your way out of just about any mess or you work your way -- or you work with someone who believes this. You also tend to use that as a cash flow tool , that is selling. Selling and cash flow does not always mix well as you will see later in the program. If you're focused on sales and you want to be focused on cash flow too. So let us jump into the materials a little further.

In today's course we will be covering several key elements broken down into two areas , the first section will be the method and the second section will be the tool. The method or basics you have to understand to set up cash flow model. The tool were breakdown cash flow budget into an easy to understand process. I will not repeat all of the steps here but will discuss each of these items with you below [Indiscernible - low volume] in the rest of the course today.

When we talk about the method what we are looking at is a cash plan or forecast, it boils down to how much money do you need and [Indiscernible] even the most cash rich company run into tears of time when they are using more money than they are bringing in. In all instances we want to know how big is the gap between cash coming in and cash going out and how long is the gap going to persist?

There are times when you know that this is going to happen in the future, with some certainty like when you're planning for big order for that big equipment purchase that is coming out. That is when you want to plan for your cash gap.

Then there are events that you just cannot plan for like a recession, are losing customers unexpectedly. These activities drive us to look for question in our cash flow so we can plan for rainy days for when those gaps appears unexpectedly.

You likely already have ways you look at cash flow in your business. You can look at your checkbook, how much do you have available on a line of credit. If you have been in business for some years, you have historical financial statements to look at or you can create a one-year budget. Also another caveat about these common tools, CPAs are trained that cash flow can be derived from a financial statement called statement of change in cash.

Not be fooled into thinking that it is a transport tool. It can be used for forecast, -- transport tool to be used as a forecast in your business. Not helpful [Indiscernible - static] financial statements are important to business. And the have a rightful place but as we'll see cash planning best practices in time require you to use other tools.

Each method shown here provides up above on this page, provides a fragment of information that is on partially helpful and requires a lot of information gathering and never gets too close to work through cash flow plan. That is distracting to your time and these methods are not timely for cash flow and it's been either. In order to get an actual tool measuring cash flow that matters, you have to look at a near-term forecast of cash flow. This requires a different tool than the ones on this list.

What does the near-term look like? You could measure your cash daily. There are times when that can be important. But it is exhausting and very distracting. On the other hand monthly tracking is too slow and Mrs. critical nuances in your cash flow at the timing of payroll so this leaves you with weekly tracking. >> This is the agreed-upon method for companies that have critical cash flow constraints. At some point in time we all have critical cash flow constraints. While the topic is weekly -- wiki -- weekly cash flow on a trip is preferred, [Indiscernible - static] as other financial tools.

Been able to do weekly tracking says you are in control enough of your activities to have data on a timely in a fashion to be a good business person. It also lets you spend more time looking at future issues rather than looking at them in the past which is what other financial tools, unhelpfully, require you to do.

Weekly cash flow forecast have a natural limit by daily weekly cash flow. The to test about [Indiscernible - static] cycle of a business. Put another way, how long does it take a dollar that you put in your business to come back as a dollar with profits available to spend again? This cash flow cycle is also called working capital. Working capital is the measure of money put into a business to attend to the weekly routines in your business. Simply put, we want to know how long it takes for a purchase you make and then pay for and then receive into your inventory to sell that then it turns into a sale and then you collect the money on it in the future.

That was a mouthful. That is the circle here that we are trying to show you. It takes a while for that dollar bill to kind of get through your business. >> This cycle is different for every industry and every company in that industry. That said with a few exceptions most companies are getting their complete cash flow cycle to operate in 90 days. Or three months or about one quarter a year. We may not be operating at this pace of site interesting arms, that could be a sign of working capital issues were company and the best way to look into what is going on with appeared of cash flow is to look at it weekly.

This gives an owner or manager time to make the small adjustments to a reasonable set of activities. If you wait much longer than that, like a month or a quarter, fixes become overwhelming to the company and never get address. A sustained condition of being overwhelmed cost the company time and money and will eventually lead to failure and at the end of today's course we will show you how a cash flow model can measure this key metric for you.

All right. There are several companies that help you measure weekly cash flow and you can read about called cash flow for dummies. And build your own model. You can Google cash flow model and download models from there. Many of those models will be free. You can find several paid for cash flow models and you must search on the Internet. There proximately 10 companies that offer some form of this tool to small and large companies. However when searching for a model, avoid discount cash flow , it is not a cheaper model, but rather a different financial model theory [Indiscernible] short-term cash planning in your business. For purposes of this conversation we will be using a free cash flow model available from you point advisors.

-- From you point advisors.

Usually someone once a study cash flow model because they are concerned about pain upcoming bills are making payroll however this is not the place to start a model. And often we will be able to see the problem and the solution for making payroll but will have to go at it in a different order and the best practices to understand your business is in these five buckets in this order. Number one sales, to collections from the sale, three purchases and 4 payments for purchases in payroll.

Which together these four sections make up a term called cash flow from operations. The fifth section we will talk about his liquidity. Gaps in cash in the fifth section called liquidity is gaps in cash and sources of money to cover those gaps.

Okay so now we know those parts and pieces. We are going to start looking at models themselves and here we go.

The first feature update cash flow model is that it separates data into weekly segments instead of days. Which are too fast. And months two years which are too slow. The honest thing about a weekly cash flow model is the best practices , forecast 13 weeks into the future. Y 13 weeks? As we mentioned before we tend to want to follow 90 days of cash flow. 13 weeks is the closest you can get to that 90 days.

Also 13 weeks give you enough time to see the potential impact of changes in working capital, a shorter period of time cuts off the decision-making. Longer-term tools like lumpy budgets lose time of -- track of [Indiscernible - static] in and out of cash in your business. Finally one caveat to what you are about to see, this is a spreadsheet built on Excel and if you're not about with Excel you should find someone that is her takes -- take some classes yourselves and spreadsheets are two common for you not to understand this language of business. You don't have to become a master and spreadsheet but you should not be afraid of it. Some of the spreadsheets we look at have lots of numbers, there are some numbers but many of the formulas money have formulas that help you . Also matter how small the company you are, movement of cash flow gets complicated , having a model that can expand with you as you grow is good asset to have at your side.

Last point, the spreadsheets require you to do a little bit of work, but they are taking some of the complexity out of situations for you. And yes, want to get through the spreadsheets, you'll have graphs and charts to read that will send -- greatly simplify your understanding of cash flow. But that let's move on. Refs make it simple and easy for you to understand the up-and-down of cash flow in your business and ultimately reports like the one on this page that you can come to to arrive -- reliant to build a cash flow plan.

All right, here is an example of a weekly cash flow model using the point cash flow launcher and the image in front of us is the key schedule. A key schedule brings all of the data together and best practices weekly segment. If you look carefully you will notice that the model has more than 13 columns. Best practices dictate you have proper descriptions of runners and headers at least two weeks and that would be over here at least two weeks of historical data and you'll see me talk about actual here, this is what happened in the past, followed by 13 weeks of forecast. Here we go, across the top, we are forecasting week by week and we count the weeks and then give them dates. Further good weekly cash flow models show a total from the period here in this first column in the green [Indiscernible] and a bonus a model should have a column that shows average weekly activity for each row and here's our average. >>

It really starts to show you a trend in your business.

The cash flow model is broken into three major sections, the image here only shows one of the three sections which is a higher level all look very similar to one another. A -- the three sections which cover all five of the steps of cash flow we just discussed our inbound cash which covers the collections area, outbound cash and something called liquidity which means cash and or credit used to support a business went there are gaps in the operating cash flow.

We will review each of these sections in more detail, the elements of these sections are based on cash accounting, not get. Which is -- debt which is the formal name for County roles [Indiscernible - static] the three sections can trace some of the origin to the AP the books are markets, there different cash flow models really just care about the immediate cash flow and rare GAAP are in that cash flow.

Every company has cash gaps, we try to focus on liquidity as a way to manage through those gaps. Transport models let you see those liquidity gaps and allow you to take proactive reaction [Indiscernible - static] immediately on top of you. Having that time to see things happening can save your company.

Okay, with these basics out of the way, let us look at how weekly cash flow models operate. >> Sales and corrections are the first and second of a five things about a business we want to monitor. They make up the inbound portion of cash flow planning. The most important things to remember about sales is that selling lending does not always mean we have cash in your hand to spend. A lesser business collects 100% of its housing cash at the time of sale then you have a delay in the time between you sell and when you actually have cash on hand.

This is an important distinction as the time between the sale and collecting on that sale can be weeks or even months. Every industry is different. >> The snapshot , the snapshot, shows you the model cash flow model has come associated in weeks. We pointed out a week a protected cash flow . And not days or months. Arose on the right side show you typically the order of cash flow model, sales in collection cycles. So here is sales at the top. Sales is always first and then you get to corrections -- collections, and our collections area is broken up into two areas and we also like to have an Accounts Receivable roll forward.

It is kind of a complicated term to think about. But it is your Accounts Receivable which is sales made that have not been collected. Is area shows us how well we are doing at managing sales and collections. This is a basic act to be that every business must do and it shows you if you are collecting to slowly from your customers.

Which would not be helpful for your cash flow. All right, the greatest unknown for business is what will happen next. With all the work you're doing to make your business great, all the competition around two, it is hard to see the future. This means sometimes forecasting your sales for any period of time can be hard.

However it can be done [Indiscernible - static] when you miss your projections. [Indiscernible - static]

nearly 100% wrong when you compare them to what actually eventually happens. However that fact is not what is important about forecasting. Most important part is to use forecast the as a [Indiscernible] tool. This allows you to imagine alternative futures like winning a big order or the impact of how holiday sale on your business, and it will also show you where you have systemic cash flow issues that might put your business in jeopardy.

When you do not have a big event arising, the best practices

of cash flow management is to forecast sales conservatively. This page which is an extension of the page we just looked that demonstrates the basic but with an area of data entry and assumptions. Yes, I said assumptions.

Just like your high school teacher said, you have to show your work here some of it is a cash flow of best practices and good for you to write down -- it is good for you to write down your business and Cass assumptions.

Looking at inbound cash, after you decide with your sales will be, the biggest assumption you will make it so quickly you are able to collect on those sales and convert them to cash. Let me put that in here and we will talk about it there. Sales need to be broken out into different rows getting into details of what you should show will require more time than we have today but we can answer questions later today or you can follow with me after today's session.

However I can tell you from experience that three rows is enough to tell the story of the future of your company. Collections is broken out, more in the sales related and nonsales related items. One example of a nonsales related item is it you would collect rent from a subtenant or the sale of some business aspect that you usually do not sell as a part of your normal day, day-to-day, business.

Like getting extra equipment. Purchases and disbursements are the third and fourth of the five things about your business that you will monitor.

They make up the outbound portion of cash flow planning. The first key to purchases and disbursements, i.e. when you pay for things, is they should be closely tied to your sales forecasts. What you plan to sell drives what you should purchase. Similarly you will likely buy things that have creditors. For instance you bite a widget and the vendor that so that you gave you credit terms of either due upon receipt, net 10 days, or maybe net 30 days. This most likely tells us when you will pay for these things you have purchased.

These key elements tell us how to forecast the outbound flow of cash. Another major element of tran4's payroll. Usually payroll is a -- [Indiscernible - static] pics of the hurdles never end. This is a key line to keep an eye on in your cash flow model.

The size of your payroll should match your cash flow and when it does not you as an owner or manager need to make hard choices about who stays and who goes. Similarly you can burn out employees by not having enough staff, knowing when to add new staff is something that you have to plan for, cash flow planning the critical tool to make in that initial call to expand your team. >> Here is an outline of a typical purchase and disbursement

page of a cash flow model. Like sales you see the assumptions part one of the first things that we discussed. In this area we are making estimates of what we will be purchasing and paying for and when. The guideline from this activity is the sales forecast we made on the inbound section of the cash flow model.

So we have parameters or boundaries of what we should be purchasing. The sales side really becomes the guidelines for how much we should spend. Sales go down, [Indiscernible] should follow along as well. You see this in seasonal businesses but many other factors impact up and down in the business, generally though keeping an eye on sales levels tells you a lot about your first estimates of what to buy. More on this later but that is a key assumption you will want to make note of the mix but then you write -- note of.

And you write in your purchases at a level of detail that you can manage efficiently. While we work with companies we tell them not to duplicate your entire check register with all your categories of vendors. We just want to summarize the data. Tech sometimes -- effect sometimes time and time again we see we can do this work and seven lines or less. Be disbursement section comes with best practices rose, titles, it can be customized to any business around those seven categories and purchases. The disbursement section is broken out into two areas, operating an nonoperating. Disbursements. Operating expenses of the ones you can name off the top of your head, vendors you see often or text you are familiar with writing and comes from the purchases that you have been making.

Typically nonoperating disbursements are items you do not the in income statements. Or not in your day-to-day activity but to affect your cash flow. Not capturing this data is a big got to for a lot of companies. Typical items on the balance sheet that might -- you might forget in your business would be payments to attack the authority -- to a tax authority or payments to 80s.

At the bottom have accounts payable [Indiscernible] section this acts like just the receivables move forward and help the check -- to check whether you are paying your vendors too fast or too slow. At the very bottom of the typical cash flow outbound page, of purchases, we have a concept called CEO or days expenses outstanding. This calculation shows how many days you are holding payments from vendors typically this calculation does not include payroll but at Newpoint Advisors we put a point [Indiscernible - static] cash outflow using this line , the bottom of the page, gives you a good check as to whether you are sending out money too fast or too slow based on the changes on your numbers and number phase of DEO in the calculation. Every companies optimal DEO is different. We can take questions on how best to use this section later but consistency is a key to a healthy vendor relationship. >> Liquidity is the fifth and last of the five things about your business we want to monitor. We make up the cash gap portion of the cash flow plan. This is defined as when you have more disbursement to make it a week then you have cash coming into cover it. Calling it the GAAP. These potential negative balances

can then be covered a number of ways but each has its own limitations.

You can use the cash on hand in the bank collected in early weeks , that is an easy one, you have the cash. Accelerate collection, sometimes you can and sometimes decant. Slow down when the patient -- payments. You can get away with this for a while but then it comes back to get you. Slow down -- soleplate -- slow take your place not only is this unethical and illegal, it is illegal in a few instances.

Pay money from a financier or bar money sorry from a financier of some type and the best method when available and affordable. Ways -- raise more equity capital for your business, hard to do as an entrepreneur but the right thing to do if your business is really growing and then there are many more ways like cutting expenses that goes into a bunch of different directions that we don't have time for today and definitely part of the equation of trying to manage cash gaps. How do you know which tool to use and what given time? But cash flow planning can tell you that.

When we are determining cash gaps would like to know what sort of short-term resources for additional X side of the business. To have available to us? The first option is use of cash balance as accumulated from prior weeks. That is easy enough to follow. But there are likely going to be -- but there is likely more going on in your business. So we have to think about other options other than cash so we move on. The next best way to cover for liquidity gaps is to obtain credit from a third-party using the form of credit cards, bank loans, or other financing companies.

Liquidity section is where you can measure how much you have borrowed and how much more you can borrow how much you need to borrow. Also different lenders require different formulas for measuring this. This model or any good model can adjust for your particular needs. Cash flow models like the one we are looking at today make those calculations for you.

This is a good thing as while this is the most important part of a good cash flow plan, it is singularly the hardest part of the work you have to do or think through. That said if you see

a transport model without a liquidity section, you are not looking at a cash flow model you should trust.

This page is a small section in your liquidity part of the cash flow model. This is the critical section.

We use this section so you can get an idea about how credit cards are impacting your ability to manage your cash flow. Some people use their credit cards as their bank working capital. In those cases we would use that as a line of credit in the main section of liquidity part of our cash flow plan. And really just use smaller credit cards here only talk about credit cards for emergencies.

The caveat is smaller credit card availability is not an important -- is not as important to calculate liquidity in a typical cash flow budget. But you have this area you contract that liquidity as it is often useful for emergencies.

Most cash flow models you pay smaller credit cards as an activity you track in the disbursement section that we talked about earlier.

Okay moving on.

That look like a lot of stuff and I know there is some complicated terms associated with what I have spoken about.

But it is not all as completed as it looks. And this is where we get -- I get to say a good cash flow model comes with instructions. That is how you should look for those parts, we do that at our Newpoint Advisors models [Indiscernible - low volume] at all. Good news is I saved the best for last so let us get into that part.

Now that you've seen the details of the cash flow model is talk about how it can be useful to you day today. We will take the next couple of minutes to show you the big picture or if you will an accounting terms the bottom line. We will look at graphical versions of the schedules that make it easier to follow all those numbers. As we go through these graphs we will talk about warning signs that will make sense to you. >> [Indiscernible] cash flows into a big picture we can analyze. Here at the bottom of the key schedule , the sample here, that we saw earlier, the very last line says that liquidity. [Indiscernible - low volume]

You cannot predict the future with great accuracy but you can determine if you have liquidity , enough liquidity, to push through places where [Indiscernible] cash flow does not offer enough cash or there is great uncertainty about the near-term. Look here to see her cash flow and you are asking yourself question, do I have enough cash to make payroll ? One line tells you everything.

The bottom line,

[Indiscernible - static] is the addition of cash flow from operations actions

one through 4 in the prior pages that we spoke about, and the ability to borrow from some sources action 5. When you have positive liquidity in the future you likely have ability to sleep at night. If you do not than you're likely running the midnight oil to find cash flow.

Just like our poor sample here where we had negatives in our weeks. The single bottom line number will tell you how much you need and how long it will be before you need it. This allows you to be proactive. Which is a great feeling even when the news is not all that great. This is admittedly a large set of numbers, not the only way to track your liquidity.

Let us turn our attention to some powerful tools in spite of the -- inside of the cash flow model like cash flow launcher. >> You have seen this image before. Crowds

-- graphs make it easier for you to understand the ups and downs of the business. Here the green line shows you cash coming in. Redline shows you cash going out. The Gold line shows you the net of the in and out from operations. The some of the red and the green line. Try to keep it above zero here , but oops, in this particular instance, weeks 2 and week 6, looks like we're going to need to do some cash planning.

That was a pretty easy breed, all those numbers. -- Read, all those numbers. We talked about the fact that liquidity is very important but we have not covered liquidity yet in the graph. You're going to have shortfalls in your cash flow so liquidity is what you really care about. Do you have enough cash? To get by?

Here in your graphical model we put your inputs, and the earlier slides, we were able to look at it three different ways. Here's a green ball that shows you how much money you have. A percentage of liquidity that shows you your resources. How much liquidity you have which is like the positive gap to a negative gap in your cash flow from operations. And here simply enough, hard number that shows you the exact dollars that you have to spend if you have a cash shortfall. All of this helps you planning your cash flow for the next few weeks.

All right we have one more graph to show you , this graph is about the cycle of cash which is another way to look at cash flow and likely some of the most powerful information you need to run your business. Measuring the cash cycle. Now you can see -- now you also can see where your cash is hiding in your working capital without being a CPA. Cash cycles convert dollars in today's, so you cannot only see what part of the working capital has your cash but how long it is being held onto. A green light here shows you money but not paid to others. Yellow line down here shows you money that you have not received from your customers. The blue line is inventory , applicable to your business, if not it would not be a blue line in your report.

When all of this added up, you get your net cash cycle. Which is represented by the thick redline here.

Most companies have a negative cash cycle, just like this company here it is zero and we have a red number that is below the line. But like we said most companies have this condition. The question is how big is your cash flow cycle negative number? We can cover this off-line and it is typically a topic that is unique to each business. However we can tell you that this is one of the main reasons why companies need to have [Indiscernible - static] outside sources and liquidity and lines of credit because even though cash flows positive, it can consistently remain negative over all [Indiscernible - static] or some other [Indiscernible - static] alternative is a way to close the gap.

Okay. I know I just do a lot of things that you and your head may be spinning at this moment. Here are the quick -- quick cheat sheet of the essentials you need to walk away with today. First for cash -- forecast cash flow in weeks, not months [Indiscernible - static] determine where your cash flow gaps are. Do I have enough liquidity to cover for plans I have made? Do I have enough cushion in my cash flow for things that cannot plan for? Always tried to have a source of liquidity from an outside business. Just like location, location, location in the real estate and retail world, in your business it is liquidity, liquidity, liquidity.

Cash flow plan show you how much you need an there are plenty of resources like Newpoint [Indiscernible] launcher for access. Be sure to use a proper tool and stay in the habit of planning your cash flow. Those of you that want more information can reach out to me or a cash flow coach the following methods after the Q&A session that we are ready to start. You can also sign up for free cash flow launcher on a website. At that time I look forward to taking your questions.

Thank you so much, Ken, so we will now go ahead and start the Q&A portion of our call. I will be reading the chat questions that are -- our participants have said it yes, sent in. Everyone please continue sending your purchase by using the chat function located on the left-hand side of your screen and in the time remaining we will address just as many as we can.

Please note if we do not have time to get your question, during Q&A, I encourage you to connect with the SCORE mentor after today's webinar. Mentors are available online or in a chapter near you to help you apply the strategies that have been presented today. So with that let us go ahead and jump into these questions. Ken, let me get to our first question here.

First question comes in from Bonnie, when working with objectives, is it best way to forecast based on your previous year sales?

That is a very good question. It is a great starting place. When you have nothing else in your staring at a white piece of paper, look at last year over the last period that you have available to you and start their. But then start to ask -- there but then start to ask questions about what you want to be what is going to be different about the future. And it may be positive or negative. May be you are saying last year was a good year or maybe this or you're facing a recession or some event or you're planning to grow and you want to see what that impact will be. At those numbers to that baseline of historical cash flow.

Okay. Next question comes in from Robert, does QuickBooks have a cash flow management template built into it? >> There is not one that does this in a weekly basis. And one of the issues you will went into with what we refer to as mechanized cash flows which cookbooks -- we are sort of [Indiscernible - static] we help a lot of companies use QuickBooks and I do want state nothing negative about quick looks like the think it is a wonderful tool. One of the problems with mechanized cash flows is that it will tell you when you're going to be paid a something that you programmed into your business. Or when your customers going to pay. As we all know the reality is that customers will sometimes pay you slowly, and sometimes you have to be flexible about when you are paying certain vendors. Mechanize cash flow will not do that. It can give you a bit of a false reading about what your cash is going to be about.

We preferred that you take the tool, one of the reasons we shrink was down because you don't have every vendor on your checkbook on a page which is your company grows and can become located. Or customer in a page which is definitely complicated. We shrink it down to sort of look at trending factors. This allows you to make some adjustments here and there. They give you guidance for cash flow because we're really looking for cash flow as a metric, not necessarily to rewrite your cash flow Or rewrite your accounting but. So quick buck gives you a good ledger -- QuickBooks gives you a good measure of who is be pain went and [Indiscernible - static] can you make those numbers kind of looking at the big picture perspective. Okay?

Okay, thank you [Indiscernible - static] our question next question from Catherine, is QuickBooks self-employed a good program to have for a new SEC or?

-- As the store ?

Yes, for that size enterprise, that is a great place to start.

Next question from Scott, can you explain how this would benefit a retail service business? For example they take their cash when they perform a service, they do have product purchases that are used during these services, decides that equipment purchases having a hard time seeing how this may help this business.

[Indiscernible - multiple speakers]

Sure, share, a couple of things, if you go to cash business -- likely often taking credit cards. That can be processing delays in credit cards and so as you are heading towards a payroll day, you're trying to figure out why am I going to have enough receipts from credit cards coming in not to be able to fund the payroll and so that becomes a timing issue that you want to monitor. I get that most of your cash -- most of the money comes in by cash and that is fine but on the flipside then we have the vendors we are trying to pay and that is not a cash advantage. We are trying to planet where we going to bring more materials and or when we're going to bring staff in. If you are service business you may be having seasonal staff. I collect or store, or beach, and we have like everyone coming in for summer before the winter and now they're coming for the summer and you need to figure out when will I and people and how quickly will I added and who am I going to add and helmets that is going to cause and I will probably need some cash to do that.

And then also you have a great example in your question was equipment purchases. If you are retail business you probably have signage, displays, you are trying to acquire, constant with retail, if you are keeping up with the competition, you are having to update your format and your place. Locations. Or like a single location, those are cash outlays you will have to plan for over time. And while you're at retail you typically have seasons you need to be able to plan for this capital outlays and when is it going to happen in Chennai bar against that or should I just pay cash and then is that going to leave money for the off-season? Another thing about retail and disorder business is a mature you carry. Once you put in your business, sometimes it does not leave your business and that can tie up your cash dramatically. Knowing that cash cycle and the inventory you carry is a perfect example of why you want to use a weekly cash flow model, okay?

Okay next question comes from Elaine. I have plans that I am introducing the cash flow concept to. How could this help them?

Correction: I have clients that I am introducing.

The cash flow concept for us is really tied to the hip with managing your business. Because it allows them to look into the future, this is the most important part. All the other financial information you get has you look backwards and you can see how profitable we are and how much cash you accumulated but then you will not be able to see forward. A bit like trying to drive a car while looking through the rearview mirror. Cash flow models allow you to see into the future and like I said before forecast can be somewhat may that maybe for you can Ms. but it is you some visibility, also allows you to look at some alternatives such as coming to an intersection and driving and be able to say what if I keep going straight or go little too little effort to the right, which way is the best way to go, a cash monitor can help you play out the cash applications in your business for those decisions you are making in running your business.

Okay?

Okay, next question from David, I am now starting my business from the ground up. And do not know much about cash flow, what classes could I take to help me ?

That is an excellent place for you to go to a school mentor, -- cash flow -- SCORE mentor and we do work with SCORE mentors at Newpoint because we work with people like them they get to cash flow models but going to a SCORE mentor is definitely a great way to go and you can down and talk to them about your business. We can bring up a cash flow model and you can fill it out together and try to figure out what are the implications of my start up, what investments and I'm making to get started and what can I expect in terms of sales and other operating costs, when am I going to hire people or am I not going to hire people? I would start with [Indiscernible - static] next level.

Classes [Indiscernible - static] for these things for weekly cash flow models. [Indiscernible - static] most [Indiscernible - static] but eight SCORE mentor can .

Next question, comes in from Olaf. Is this similar to managing your company finances or is it the same?

It is an addition to , so again financial statements most of them have -- give you historical perspective of where have you been, have you been profitable? But as you know that is only half the story because usually inaudible nor or manager or owner of a business need to look forward and as your looking at Penny or marketing our engineering or operations, you often need to have a cash plan and this is the accepted tool for that cash planning. To use of weekly cash flow model to look out just far enough to be able to see the next few horizons are bumps in the road.

Okay?

Okay, Janet asks , since you referenced the importance of knowing Excel, is data in the cash flow model important -- imported into companies imported software or does it have to be entered manually?

Two different schools of thought there, as I mentioned before, there are -- the Newpoint version and one other version is to enter the data manually. We are not entering all the data you have in your accounting ledger, nearly a summary of that data to we don't have enough time today to talk to how you summarize that data. But a SCORE mentor or Newpoint coach can talk you through that. The other side is our models will take all of your data and put it in a cash flow model, so then you can have the details of every customer sales and every invoice and every finger , invoice, what that does is it starts to slow you down in terms of having to deal with every single detail, every single time. Kind of starts to take up more of your time and it is usually used with larger companies, that actually have someone who has the time to if you will monitor and manage that cash flow, might be somebody in the accounting department or like cash flow or treasury type person some most small businesses that detail integration start becoming overwhelming from a time management time. So recommend people start off with a summary data entry that will be faster for you and easier for you to keep up with for the short-term.

Okay?

Okay. All right, Yusuf asks most lenders want to see three years of cash flow projections. Any tips for preparing these projections?

Yes, what you are referring to their is what we refer to as a three-year budget. Typically the best way to do that is a monthly budget for the first of each year, through the first two years so you have pretty for months late out in the third year is just a summary of one your kind of summary, you only have 12 months, you just have the one column if you well for the third year [Indiscernible - static] be detail should be at a level that you think you'll be able to track your business. So if you have or let a general ledger already and you have sales and expense accounts, use those exact same items to describe your forecast period, that way it is easy for you and the people that you are talking to about getting financing to follow that same plan in the future and see how well you are doing.

Last thing is if you're going to forecast , you not only forecast income statement but you also must forecast a balance sheet because that is what will show you and the person you would like to finance you, where the cash flow is going to come from your business, that balance sheet holds inside of it a version of a cash flow model on a more extended basis and can be a good view again in the long-term of what you're going to need in terms of money to run your business and grow.

In the short-term cash flow weekly models we look for the net liquidity number, kind of bottom-line income statement, saying where are we in the cash flow ? Okay?

Okay and then Robin mentions that this looks like a lot of data entry and tracking time. Could you elaborate a little bit more on the time that it takes to fill out and complete the cash flow model ? But right --

Right, when the data is available, it takes about five maybe five hours to set up the know put the first time so [Indiscernible] couple of evenings are warnings during the course of a week to make and then the maintenance on it can be a little as an hour depending on how much want to put in. We have tried at Newpoint we try to force parameter of summary so you can extend the parameter -- summary and take a look at of time because time be the precious resources, frankly most entrepreneurs are [Indiscernible - static] aren't the most precious resource after cash, so not to constrain about having a little bit of a discipline about how much data you want to put in based on best practices like the ones we use than others used too. It will allow you to keep this time down to a reasonable amount, reasonable level especially for an entrepreneur who probably has to do some of this on their own, okay?

Okay, and then Dennis asked is it easier to do a cash analysis for a company on the cash accounting versus the world accounting? -- Versus the accrual accounting?

When you are a small business and [Indiscernible - static] you are trying to grow with your own resources and talking to private sources of capital, almost any lender , cash accounting is better than accrual accounting. Systems like QuickBooks will let you go back and forth between the two. But when you are trying to be honest with yourself about your business and where you are, what is going on, cash is the only factor.

A simple way, anecdote we like to tell people, when it comes time for payroll, you can pay people with cash but you cannot pay them with an accrual. So kind of important to kind of keep a focus on the cash side. The accrual to your site until losing, some people will ask for it. [Indiscernible - static] becomes a way accounting is done but when you are small and growing, cash version of accounting is probably more important, okay?

Okay, next question comes in from Sally, I purchasing an existing business. As a possible and or practical to determine cash flow from past financial statement performances -- performance quick so that I know what to expect.

Yes, that is actually very good way to start. Have those most recent , you want to have 2 historical financials that go back a couple of years as well as most recent financial information. Reason is you can see the long-term trend and overall profitability and cash needs for the longer-term, but in the short term, you want to see what is happening now, has something changed recently that is causing this to sell, that is causing you to buy a headache. Nothing about the cash flow models in acquiring company, it is a great way to show yourself how the cash is going to interact and the time you acquire the business. Because what happens is it is a little bit like rolling.

There are a lot of moving parts that change in the short-term, and some of them have negative cash flow implications for yourself. Such as closing costs, for the business, and also getting your hands around what the owner of the other business knew innately about how things operate but you are still trying to figure out like how to collect, went to purchase things, and if you don't know those things innately, you can -- those activities can become cash gaps in your business so we recommend that you acquire business any think about it weekly cash flow model is a way to keep you straight on the terms of the long-term.

Ken we have time for one more question and this one comes in from Davis, how can you project cash flow if you are starting out and do not have historical data?

That is a great one. Even the people who been doing it for years probably limits of their cash flow forecast a don't feel like [Indiscernible - static] what you want to do is to [Indiscernible - static] imagination of what you wanted to be. And put the cash flow out there and then start looking at it as you move forward and find out what it is that is realistic that I would say if you want to be, be a bit of a high ceiling, but I would suggest they forecast on a conservative basis so first thing I would [Indiscernible - static] and then you say to yourself okay, what is the conservative version of that? When my being part cautious a reasonable, being prudent about what is going on? And use that conservative number that is lower than your high expectation -- expected number, to start your cash flow model. Okay, there we go.

Okay, those are all the questions that we have time for today. Ladies and gentlemen, on behalf of SCORE I would like to thank you all so much for attending today's SCORE live webinar. A brief survey will launch when we sign off . We would appreciate it if you could take just a couple of quick moments to complete the survey and tell us your thoughts and suggestions. In closing I would like to give a very big thank you to Ken Yager for presenting today.

Thank you. Very appreciative of the SCORE program.

We wish you all a wonderful day and we would look forward to seeing you back next time. Thank you all. >> [ Event Concluded ]