

CASH FLOW MANAGEMENT

<http://sbinfoCanada.about.com/cs/management/g/cashflowmgmt.htm>

Definition:

Cash flow management is the process of monitoring, analyzing, and adjusting your business' cash flows.

For small businesses, the most important aspect of cash flow management is avoiding extended cash shortages, caused by having too great a gap between cash inflows and outflows. You won't be able to stay in business if you can't pay your bills for any extended length of time!

Therefore, you need to perform a cash flow analysis on a regular basis, and use cash flow forecasting so you can take the steps necessary to head off cash flow problems. Many software accounting programs have built-in reporting features that make cash flow analysis easy. This is the first step of cash flow management.

The second step of cash flow management is to develop and use strategies that will maintain an adequate cash flow for your business. One of the most useful strategies for small businesses is to shorten your cash flow conversion period so that your business can bring in money faster. You can read five specific ways to do this in my "Close The Cash Flow Gap" article.