



Managing small business cash flow

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Maintaining a healthy business cash flow is one of the most important building blocks for any business to achieve meaningful growth. This is especially true during times of economic uncertainty, when smart cash flow management can often be the deciding factor between businesses that flourish or perish. Virtually all business owners know that managing cash is important, but creating a system for business cash flow is much easier said than done. At KPMG Spark, we've spent a lot of time thinking through how to help our clients most effectively manage this process. In the following paragraphs, we break down our process for evaluating and streamlining cash inflow and outflow, so you can scale your business and make big purchases with confidence.

Create a Cashflow-Friendly Budget

Managing cash wisely starts with maintaining a healthy budget. In order to attain or retain a positive cash flow into your business, you must ensure you are not spending more than you make. Most business owners know this to be true, but creating a realistic budget can be challenging. Be conservative, realistic, and allow yourself some wiggle room so you aren't scraping the bottom of the barrel at the end of each month. Here are a few key factors to consider when creating your budget:

1. *Historical Expenses: Build your budget off of your more expensive months. Be sure to also account for any high dollar expenses that occur quarterly, or infrequently.*
2. *Time to Payment: How long does it typically take for money made from your goods or services to actually hit your account? How will this potentially impact your budget?*
3. *Recurring Expenses: Identify your recurring expenses. Look for areas where you can reduce costs to create more positive cashflow month over month.*

Access Your Cash Inflow and Outflow to Access Profitability

The goal of achieving a consistently positive business cashflow is to lead your business to sustained profitability. Assessing your cash inflow and outflow over a longer period of time will allow you to determine how profitable your business is today, and how profitable it is projected to be longer term. You can even compare profitability to a competitor (as long as they are publicly traded) to see where you stand in your industry.

If you find that you are not profitable, you'll need to develop a roadmap to get back on track. Start by reassessing your budget, going line by line to determine which items are needed and which ones you can forego in order to increase net earnings. For more suggestions on how to cut costs, check out: [4 Tips On How To Keep Your Business Afloat In A Challenging Economy](#).



Establish a Cash Flow Management Process to Finance Big Purchases

Don't end up short on cash by feeling overconfident. Planning ahead for big-ticket investments is an important part of managing your cash flow and profitability. Whether it's buying new equipment, office renovations, or other items that are not regularly scheduled monthly expenses, it is important to plan for these expenses well in advance so they do not disrupt your business and set you back.

Like most aspects of running a company, establishing a defined, consistent process will help you save time and plan more effectively for larger expenses. Create a dedicated weekly time to review all of your accounts, build monthly projections to forecast incoming cash, set up automated savings for big expenses, and prepare for loans that you may need to apply for in order to achieve your goals. Compare monthly results to each projection to ensure that you are on the right track.

Automate Cash Flow Accounting

Pressed for time and can't fit yet another meeting into your day? Investing in [managed accounting software](#) allows you to outsource the monitoring of purchases and key cash flow metrics. Your dedicated bookkeeper can help you stay on top of these items so you can always know the status of your business' cash flow. What's more, managed accounting services can automatically send invoices and accept payments. This not only gets your money more quickly but also paints a more accurate picture of the financial standing of your business.

About KPMG Spark

With the [managed accounting solution](#) from KPMG Spark, you can connect all your accounts while we reconcile your books securely and quietly in the background. We can help manage your payroll, track your expenses, prepare your tax documents, and automate your cashflow accounting so it is less of a burden on your shoulders. When you sign up for KPMG Spark, you get a dedicated bookkeeper and manager, and CPA who are on your team and are available to talk to you when you need it. The dual power of a dedicated bookkeeper and smart automation can streamline cash flow management, all while freeing up valuable time for you to focus on other key areas of the business. Schedule a consult to learn more!

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