

NCDC newsletter

More than just garage doors. Your partner for success.



Managing Business Cash Flow

MANAGING YOUR CASH FLOW

Trying to run a business without managing cash flow is like trying to paddle a boat without an oar. Even if you succeed, it will be an upstream exercise guaranteed to wear you out. Achieving a positive cash flow does not come by chance. You have to work at it.

PROFIT VERSUS CASH FLOW

Profit does not equal cash flow. You can't just look at your profit and loss statement (P&L) and get a grip on your cash flow. Many other financial figures feed into factoring your cash flow, including accounts receivable, inventory, accounts payable, capital expenditures, and debt service. Smart cash-flow management requires a laser focus on each of these drivers of cash, in addition to your profit or loss. Invoicing a customer for products or services you sold to them creates revenue. Collecting the money on that invoice is what creates cash.

A positive cash flow is actually needed to generate profits. You need enough cash to pay your employees and suppliers so that you can make goods and/or provide services. It's the sale of those goods and services that helps generate a profit. But if you don't have the money to make the goods or provide services, you don't end up with the profit. So, you really need to structure your business to have a positive cash flow if you want your business to grow and increase profits.



HOW TO IMPROVE CASH FLOW

Most business owners see growth as the solution to a cash-flow problem. That's why they often achieve their goal of growing the business only to find they have increased their cash-flow problems in the process. Plan for growth and the related cash outlays in advance, so they do not come as a surprise. In the meantime, the SBA recommends that you take the following practical steps to better manage cash flow, especially for the growing business:

- Collecting receivables
- Tightening credit requirements
- Increasing sales
- Securing loans or line of credit

GETTING CONTROL OF YOUR CASH FLOW

Ask yourself the following two questions to get a sense about whether you have your business' cash flow situation under control:

1. What is my cash balance right now?
2. What do I expect my cash balance to be six months from now?

If you can't answer these two questions, then strap yourself in for a wild ride. You are on a roller coaster ride that's about to become really frightening. You don't have your cash flow under control.

One way to keep that situation under control is by tracking your cash flow results every month to determine if your management is creating the type of cash flow your business needs. This also helps you get better and better at creating cash flow projections you can rely on as you make business decisions about expanding your business and taking care of your existing bills.

Source: Inc.com



ABOUT NORTH CENTRAL DOOR AND OUR VALUES

Every day, thousands of times a day, in locations across the upper Midwest, North Central Door's residential and commercial garage doors are used to gain access into homes and businesses in a variety of conditions, environments and uses. We're proud of that fact. Founded over 50 years ago, North Central Door began as a small company wanting to build a better garage door. With each success, we increased our manufacturing capacities, grew in staff and industry expertise, strengthened our relationships with customers and partners, and expanded our reach throughout our home state of Minnesota and across the Great Plains.

Today North Central Door continues to be a growing company that hasn't forgotten its roots. We look forward to creating and building lasting partnerships and personal relationships with our dealers and distributors, backed with hands-on customer service and an experienced sales team. As a North Central Door dealer, you'll truly experience a difference in prompt communication, partnership involvement and product knowledge.

Sincerely,
Steve Palmer - President/CEO



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