# **Video Title:** The Art of Startup Finance: Financial Processes - Your Cash Flow

**Video URL:** <https://www.youtube.com/watch?v=h_tx6NF_nD8>

**Run Time/Source:** 4.21, Kauffman Founders School /YouTube

**Close Caption Available:** Yes

Cash flow can make or break a business. I have seen it happen many times. It is especially troubling to me that many small business owners do not understand cash flow. They understand revenue and expenses (generally) but lack an understanding how they operate in cash flow. More importantly, business owners need to prepare proforma statements of cash flow to determine when expenses will exceed revenues, which may then require a short-term loan.

My experience with banks is that they want businesses to succeed. Their objective is to get loaned money paid back (with interest), and hopefully continue to do business with your business for a long time. However, bankers do not like unpleasant surprises like coming into the bank on Monday morning announcing that you are not able to make this week’s payroll! Bankers prefer that based upon your projected statement of cash flow (which you prepared in September) you will need a short-term loan to cover payroll in January and February. This demonstrates a good command and understanding of the financials and your role in strategic planning.

Some key things to keep in mind when understanding the statement of cash flow. First, be sure you are collecting your receivables as efficiently as you can. You may need to contact customers who are paying slowly (something no one likes to do) to improve the accounts payable.

Remember that your cash flow is probably going to be different from your net income You can improve your business cash flow by better managing your accounts receivable.

Questions:

1. Why is understanding the statement of cash flow important?
2. What can you do to improve your accounts receivable?
3. What can a business owner do to better manage their accounts payable?