

The Siburg Company, LLC

Cash Preservation How A Business Survives!

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Cash Management Topics

- Defining cash management
- Cash controls
- Managing accounts receivable
- Inventory
- Payroll and payroll taxes
- Accounts payable
- Lines of credit
- Capital asset purchases
- Cash management tools

What Cash Equals

Cash Management
Equals
Liquidity

What Is Cash Management?

- The checking account balance?
- Accounts receivable collections?
- A line of credit with the bank?
- Paying vendors invoices?
- Capital and operating equipment leases?

Cash Management Includes:

- Cash and cash equivalents
- Accounts Receivable
- Inventory
- Payroll and Payroll Taxes
- Accounts Payable
- Line of Credit
- Capital Asset Purchases

What Is The Most Tangible Asset Of Your Company?

CASH!

Cash Controls

Does Your Company Have Proper Cash Controls?

Simple Cash Controls

- Stop spending, before it actually happens!
 - Purchase Orders and Authorization levels
- Know what, when and where the company is spending money?
 - The President should sign all checks!!!
- No Employee Credit Cards!
 - Reimburse employees via expense reports

The Golden Rule of Cash Management

Cash is the resource that supports all the company's activities!

**Never Over
Spend!**

Accounts Receivable

How Does Your Company Manage
Accounts Receivable?

Accounts Receivable Management

- A/R collections is a daily activity!
 - Customers pay companies that call on a regular basis!
- A/R is an unsecured loan by the company!
 - Set credit limits and stick to them!
- A sale is not a sale until the customer pays!
 - What is the company's DSO (Days Sales Outstanding)?

Customer Base

- Have a diversified customer base
 - Avoid customer concentrations
- Sell to a diverse set of industry segments
 - Avoid industry segment concentrations
- Keep the good customers
 - Pay their bills within the payment terms
 - Have a long history with your company

Inventory

How Does Your Company Know What
Amounts Of Inventory To Buy?

Inventory Management

- Manage all levels of inventory
 - Raw materials, WIP, finished goods
- Manage product lines
 - Limit bill of materials to core products
- Measure obsolete inventory
 - Understand root causes
 - Get rid obsolete inventory
- Measure inventory turnover

Payroll

Why Payroll and Payroll Taxes Are
Frequent Source of Financial Trouble?

Payroll And Payroll Taxes

- Always pay the company's payroll taxes
 - Officers of a company are liable for the company's payroll taxes
- Payroll is a controllable cost
 - Hire new employees as a last resort
- Payroll is an expense that never goes away
 - Attempt to always have two months of cash for payroll and payroll taxes in the bank

Accounts Payable

Is Accounts Payable Why Purchasing
Systems Were Created?

Accounts Payable Management

- Purchasing System
 - Stop expenses before they happen with P.O.s
- Fixed expenses
 - Keep rents, utilities and lease expenses low and limited
- Variable expenses
 - Control phone bills, office supplies, travel, etc. The company can stop or a lower variable expense only after the current bill has been paid.
- Negotiate favorable vendor payment terms
 - Never be afraid to ask for a discount

Bank Debt

A Line Of Credit Can Be A Blessing and
A Loss Of Cash Control (Curse)?

Lines Of Credit

- **Asset Based Revolving Line Of Credit**
 - Based on assets with good liquidity
 - Determined by the lender and the pledged asset's current value
- **Factoring**
 - One time arrangement selling an invoice to a lender
 - Financing of the last resort!

Capital Assets

Capital Asset Purchases Are Big Ticket
Items With Big Commitments To Pay

Capital Asset Management

- Create an annual capital asset budget
 - Focus on what the company needs verses what would be nice for the company
 - Avoid buying capital assets before the business requirement is a reality
- Methods of payments
 - Cash
 - Operating or capital lease (Note: Lease terms vary, so read the fine print)

Cash Management

How Can Your Company Manage Cash Flow?

Management Reports

- Daily cash flow summary report
- Daily accounts receivable report
- Weekly inventory report
- Weekly sales summary report
- Monthly backlog report
- Annual capital asset budget
- Budget vs. actual operating statements

Industry Standard Metrics

- Quick ratio
- Current ratio
- Days sales outstanding (DSO)
- Inventory turnover
- SEC statements of industry leaders
 - Available to the public at: www.sec.gov

Annual Business Plan

- Financial Plan Documents including:
 - Income statement
 - Balance sheet
 - Statement of cash flows
 - Capital asset budget
- Sales and Marketing Plan
- Production Plan

What Is Cash Management?

Cash Management: Is How A Business Survives!

Questions and Comments?

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