



myob

# KNOW YOUR BUSINESS CASH FLOW

Discover where cash hides in your business



# WHAT IS CASH FLOW?

Cash flow is simply the money coming in and going out of your business – but your future success depends on it.

A healthy cash flow is vital to the survival of your business. Get it right and you'll flourish. Get it wrong and you'll falter.

We know cash flow is a constant obstacle for business owners, with many citing it as the greatest challenge their business is facing and the biggest hurdle to their growth.

That's why Westpac has partnered with MYOB to bring you this guide, and it's why we've launched a personalised cash flow health check that's now available to all business owners. Our mission is to help more businesses become cash flow secure, because when you succeed, Australia succeeds. So speak to our Westpac Business cash flow specialists today.



SOURCE: \*MYOB Annual Business Monitor (June 2024). QR Code is a registered trademark of DensoWave Incorporated



## 1. CASH IN

Cash going into your business includes:

- + Cash sales
- + Accounts receivable
- + Other income, such as interest on savings



## 2. CASH ON HAND

The total amount of cash that you're able to access within your business



## 3. CASH OUT

Cash going out of your business includes:

- + Expenses such as rent, electricity and phone bills
- + Accounts payable / creditors
- + Wages, taxes and super
- + Long-term debt repayments

### Operating cash flow runs 3 ways:

- 1. Positive cash flow** – Is when there's more money coming in than going out, so you can spend, invest or save your excess cash.
- 2. Neutral cash flow** – Is when there's an equal balance of incoming and outgoing cash, but your ability to invest in growth, or to save is limited.

**3. Negative cash flow** – Is when there's more cash going out than coming in, which sounds daunting, but even profitable businesses can experience this during the cash flow cycle.

You may need to top up your funds through borrowing, tapping equity from investors, or putting in your own money.



### Get your cash flow health check



Speak to one of our Westpac Business cash flow specialists. Scan the QR code to request a call back or visit

[westpac.com.au/businesscashflow](https://westpac.com.au/businesscashflow)

### Be positive!

Staying cash flow positive is critical to your business. According to the MYOB Business Monitor, cash flow creates significant pressure for 24% of Australian SMEs\*.



### How to assess your cash flow

The cash going into your business minus the cash going out of your business equals your cash flow position, also known as your free cash flow or net cash flow.

$$\text{TOTAL CASH INFLOWS} - \text{TOTAL CASH OUTFLOWS} = \text{NET CASH POSITION}$$

# HOW TO CREATE A CASH FLOW STATEMENT

A cash flow statement is a document, typically generated monthly, quarterly, and/or annually, that shows how much cash your business has on hand at a given moment in time. Importantly, it shows specifically where your spent cash has gone, and where your incoming cash is coming from.

A cash flow statement includes 3 types of cash-related transactions:

- Operating activities
- Investing activities
- Finance activities



|   | Year 1          | Year 2          |
|---|-----------------|-----------------|
| <b>CASH FROM OPERATIONS</b>                     |                 |                 |
| Cash from sales                                 | \$500,000       | \$600,000       |
| Cash spent on inventory                         | -\$150,000      | -\$170,000      |
| Cash spent on payroll                           | -\$175,000      | -\$175,000      |
| Cash spent on operating expenses                | -\$50,000       | -\$60,000       |
| Net cash from operations                        | \$125,000       | \$195,000       |
| <b>CASH FROM INVESTING</b>                      |                 |                 |
| Sale of vehicles, equipment or other assets     | \$20,000        | \$0             |
| Sale of property                                | \$0             | \$100,000       |
| Purchase of vehicles, equipment or other assets | -\$50,000       | -\$80,000       |
| Purchase of property                            | \$0             | \$0             |
| Net cash from investing                         | -\$30,000       | \$20,000        |
| <b>CASH FROM FINANCING</b>                      |                 |                 |
| Overdraft                                       | -\$20,000       | \$10,000        |
| Repayment of loans                              | -\$20,000       | -\$80,000       |
| Owners contribution                             | \$15,000        | \$0             |
| Owners drawings                                 | -\$20,000       | -\$70,000       |
| Net cash from financing                         | -\$45,000       | -\$140,000      |
| <b>NET CASH MOVEMENT</b>                        | <b>\$50,000</b> | <b>\$75,000</b> |
| Opening balance                                 | \$10,000        | \$60,000        |
| Net cash movement                               | \$50,000        | \$75,000        |
| Closing balance                                 | \$60,000        | \$135,000       |



**Cash from operations:**

This is the net cash generated by the business after paying all expenses incurred, including the cost of all goods sold.

In our example, in Year 2 cash from operations is positive \$195,000.



**Cash from investing**

This is the cash that is spent on acquiring assets. Conversely, if a business sold an asset it would generate a positive cash impact.

In our example, in Year 2 the business has generated \$20,000 from assets.



**Cash from financing**

This is the cash generated from changes to business borrowings and capital investment. A negative impact here reflects a reduction in debt, while a positive change shows an increase in debt.

In Year 2 this business spent \$80,000 to reduce its debt and \$70,000 in drawings to the owner.

The net cash movement in Year 2 is positive \$75,000.



# CASH FLOW BUDGETS HELP YOU PLAN FOR THE FUTURE

A cash flow budget is an estimate of your future cash flow over a given period, such as a month, a quarter, or a year. Its purpose is to show your cash position. Your annual cash flow budget may also reveal seasonal fluctuations and is an important indicator of long-term liquidity. Follow these simple steps to calculate your own cash flow budget.

## Step 1. Know your inflows and outflows

### Inflow

Your cash inflow is the grand total of your customer sales, other business income and receipts including interest, dividends, subsidies and grants.

|                              | Jul | Aug | Sep | Oct | Nov | Dec |
|------------------------------|-----|-----|-----|-----|-----|-----|
| <b>STARTING CASH BALANCE</b> |     |     |     |     |     |     |
| <b>CASH IN</b>               |     |     |     |     |     |     |
| Cash sales                   |     |     |     |     |     |     |
| Accounts receivable          |     |     |     |     |     |     |
| Other income                 |     |     |     |     |     |     |
| <b>TOTAL CASH IN</b>         |     |     |     |     |     |     |
| <b>CASH OUT</b>              |     |     |     |     |     |     |
| Accounts payable             |     |     |     |     |     |     |
| Salaries & wages             |     |     |     |     |     |     |
| General expenses             |     |     |     |     |     |     |
| Longterm debt payments       |     |     |     |     |     |     |
| Other                        |     |     |     |     |     |     |
| <b>TOTAL CASH OUT</b>        |     |     |     |     |     |     |
| <b>CLOSING CASH BALANCE</b>  |     |     |     |     |     |     |

Determine your starting amount (i.e. how much is already in your bank account).

Add any income and receipts (inclusive of GST) that you expect to receive for the month. This will clarify the total cash available for that month's expenses and payments.

Repeat for expected expenses and payments (inclusive of GST), not forgetting infrequent expenses, such as tax or insurance.

Take your Starting Cash Balance, add your Cash In and then subtract your Cash Out. This will give you the monthly Closing Cash Balance.

### Outflow

Your cash outflow is the total of all costs incurred in running your business, including accounts payable to suppliers and other creditors, longterm debt payments, general expenses including rent, electricity, office supplies, employee wages, taxes (GST and PAYG), super and insurance.

## Step 2. Create your cash flow budget

Reviewing your cash position at least monthly will keep you up-to-date.

As our table shows, first you bring together the existing funds in your bank account/s with the income and receipts that you expect to receive during the month. Then calculate your anticipated expenses and payments, remembering to include GST on both.

Are there any infrequent expenses such as tax and insurance, that you may have forgotten? Be sure they're also in the mix. That's your inflows and outflows done.

## Step 3. Project your cash position

Now simply subtract the outflows from the inflows so that you have your cash position for the months ahead.

**STARTING BALANCE + CASH IN  
- CASH OUT = CLOSING CASH BALANCE**

## How does a cash flow budget help with business planning?

Run the figures monthly, quarterly and annually and keep an eye out for variability. Some months may look encouragingly positive; others almost neutral, or negative. Keeping a close eye on cash flow budgets offers valuable insights into the financial health of your business and may help you forestall seasonal volatility in income and better manage unpredictable market conditions, such as fluctuations in the price of raw materials.

myob

# WHERE CASH HIDES IN YOUR BUSINESS

Yes, cash might be hiding in your business, and uncovering those untapped cash resources can help you stay on track.

Money hides in the areas of your business where you've already spent money or incurred costs, but not yet received cash from a sale.

Cash can sometimes become tied up in processes and cannot flow freely until it comes back into your business.

It may be helpful to think about this as a body of water, with cash flowing into your business, through each process, and back out again.

If this flow is slowed or stopped, it can act as a blockage that causes cash to pool, or become 'buried' within your budget.

## There are three main reasons why your cash may stop flowing:

1. Buying stock causes cash to pool until that stock is sold.
2. In service businesses, resources are often tied up in the 'work in progress', i.e. until the job is complete and your customer pays up.
3. When you provide goods and services to customers on credit, that cash doesn't flow into your business until they pay.

This flow is often referred to as the Working Capital Cycle (WCC).



### Cash flow health check



Speak to our Westpac Business cash flow specialists.

Scan the QR code to

request a call back or visit [westpac.com.au/businesscashflow](http://westpac.com.au/businesscashflow)

## Why you need to keep your cash flowing

The consequences of poor working capital management can be far-reaching:

-  **Personal financial loss**
-  **Reduced customer satisfaction**
-  **Damaged supplier relationships**
-  **Lower employee morale**
-  **Litigation risks**

QR Code is a registered trademark of DensoWave Incorporated





# HOW TO SPEED UP YOUR WORKING CAPITAL CYCLE

Understanding where your cash may have stalled in the working capital cycle allows you to take action and, potentially, set it free.

## What is the working capital cycle?

Put simply, it's the journey your business

takes to turn your work or assets into cash. And the faster the cycle, the quicker your cash flows and returns to the business.

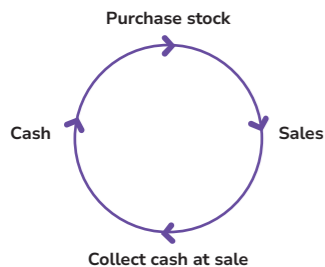
For the length of the cycle, keep in mind that the business needs to continue to pay wages, purchase stock, cover marketing

and numerous other regular expenses. Are you doing all you can to make your working capital work hard for you? Understanding the cycle is the first step.

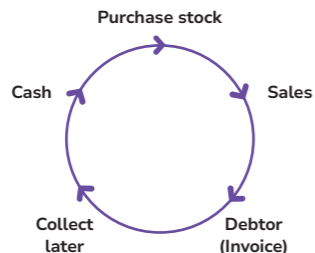
Here's what you need to know.

## ★ PRODUCT VS. SERVICES

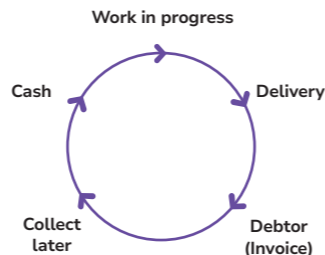
### Retailer



### Manufacturer/ wholesaler



### Service provider



## A FASTER WORKING CAPITAL CYCLE



### KEEP THE CASH FLOWING

The faster your working capital cycle, the faster cash will return to the business, and the faster your business can get to where it wants to go.



55 days  
Time to sell  
stock

45 days  
Time to collect  
debtors

During those 100 days, the business will still need cash for:  
 + Wages + Marketing  
 + Stock purchases + Miscellaneous expenses

## MORE SECURE CASH FLOW



### SPEEDING UP THE WORKING CAPITAL CYCLE

#### Debtors:

- Run credit checks.
- Invoice promptly – every time.
- Set clear payment deadlines.
- Follow up overdue debtors promptly.
- Offer payment plans for very overdue debts.
- Reward early payers.
- Offer convenient payment options (the more the merrier).

#### Work in progress:

- Use progress billing (just make this clear upfront).
- Identify and reduce process efficiencies.
- Support and incentivise timely delivery.
- Keep the customer happy.
- Roster effectively.
- Consider using contractors.

#### Stock:

- Plan for seasonality (all businesses have ebbs and flows).
- Keep up-to-date records.
- Reduce excess inventory.
- Optimise sales forecasts.
- Carry fewer stock lines – less is sometimes more.
- Buy less, more often.

#### Creditors:

- Pay on time – your suppliers will love you for it.
- Stop paying early.



## KEEP YOUR BUSINESS THRIVING

Cash can hide in many places in your business. Frequent reviews may help you speed up your working capital cycle and find the cash you need for business success.

# 10 TIPS TO IMPROVE YOUR CASH FLOW

A keen eye on the details of your ever-changing cash flow statements and the availability of working capital will help you plan for positive cash flow and grow your business, while managing around the times when negative cash flow may loom. Try these steps to help keep your cash flowing:

## 1 Separate your bank accounts

You'll be able to see more clearly how your cash is moving by having separate accounts for your business and personal finances. You can easily view and switch between your business and personal banking in the Westpac App and Online Banking.

## 2 Bucket your funds

Multiple business accounts are even better, so that you can separate your funds for fixed expenses or specific purposes, including super, wages and tax.

## 3 Conduct regular cash flow analysis

Review your cash flow at least monthly to stay on top of payment delays or rising costs. Check on cash ebbs and flows quarterly and scrutinise the big picture annually.

## 4 Get paid on time

Agree payment terms upfront with customers and state them on invoices. Overdue payments may stem your cash flow, and chasing up late payers can be costly. Send a friendly email reminder before or on the due date and consider charging late payment fees.

## 5 Renegotiate new payment terms

It's all about timing – money in, money out – so close the gap on when you pay suppliers and when you receive payments by adjusting your cash flow strategy. Be sure to give creditors and suppliers a friendly heads up on what's changing.

## 6 Set milestone payments

For long-running or major orders or projects don't wait until the whole job is done to get paid. By agreeing an upfront payment or series of milestone payments, you're more likely to stay cash flow positive.

## 7 Offer a range of payment methods

Make sure it's easy for customers to pay you by offering a choice of popular and secure payment methods.

## 8 Plan those big purchases

There are optimal times for acquiring business assets at the lowest prices. Whether it's new tech, or office furniture in the EOFY sales, or runout sales for vehicles, throughout the calendar year, keep your eyes peeled for better deals.

## 9 Boost sales

Find smart ways to reach new customers. Marketing is not a set-and-forget exercise. Perennial competition means you need to be forever switched on to smarter ways of selling and new markets. Consider asking existing customers for referrals, their preferences and what your business could do better.

## 10 Check for government support

There's a myriad of rebates, grants and subsidies available to small businesses to help alleviate the costs of fees, encourage better practices, attend events and promote carbon reduction. You just need to know where to look and how to apply. A good place to start is on your state government business website.

QR Code is a registered trademark of DensoWave Incorporated



### Real-time visibility

Make sure you're using a business management platform that gives you real-time insight into the cash flow position of your business.



### Get your cash flow health check



Need more guidance? Speak to one of our Westpac Business cash flow specialists. Scan the QR code to request a call back or visit

[westpac.com.au/businesscashflow](https://westpac.com.au/businesscashflow)

# LET'S TALK

Westpac has a range of options to help you manage your cash flow. Talk to our dedicated specialist cash flow team.



For your cash flow health check  
Speak to one of our Westpac Business cash flow specialists. Scan the QR code to request a call back or visit [westpac.com.au/businesscashflow](https://westpac.com.au/businesscashflow)

| Product                       | Purpose   |
|-------------------------------|---|
| Business Bank Accounts        | Simplify your cash flow with a business transaction account. Easily connect to accounting software, integrate payment options for same day settlement and pay no monthly fees with our \$0 account. |
| Business Credit Cards         | A line of credit to help you manage payments for smaller business expenses.   |
| EFTPOS Air                    | Enables you to get paid easily and quickly. Accept payments on the go with next-day settlements, helping to improve your business cash flow.  |
| Business Savings              | Support your business cash flow by setting aside savings for recurring expenses or to fund future growth, with 24/7 access to your money.   |
| Overdrafts                    | Immediate access to cash when needed. This provides a buffer to help cover short term cash flow gaps caused by timing differences in your working capital cycle.                                    |
| Insurance Premium Finance     | Pay hefty Insurance Premiums in manageable monthly instalments.   |
| Invoice Finance               | The amount accessible is dynamic and changes in line with the outstanding customer invoices in your system without the need to reapply.   |
| Equipment & Vehicle Finance   | Financing so you can purchase a new vehicle or piece of equipment.  |
| Bank Guarantee                | Provide certainty of guaranteed payment without an upfront deposit or bond to the beneficiary.  |
| Business Loans (Term Lending) | Financing for long term growth investments, such as expansion projects or major capital expenditures, with a range of different repayment options.  |

QR Code is a registered trademark of DensoWave Incorporated

myob

# ONE YEAR FOR FREE!

Westpac Business One Customers: Pay for one month of MYOB and get 12 months free.



We know the right systems can make a big difference when managing your cash flow. That's why Westpac has partnered with MYOB in an exclusive offer for Westpac Business One Account customers.

### Benefits of MYOB

**Keep on top of cash flow:** Get real-time business insights. See exactly where your money is and where it's going.

**Invoice like a pro and make it easy for customers to pay you:** Sleek, speedy invoices with invoice payment options like PayPal, Apple Pay™, Google Pay™, BPAY® and credit card^\*. So, you can keep your cash flow flowing.

**Effortless expenses:** Snap and store your receipts. The details will be automatically filed in your software.

**Payroll on autopilot:** Payroll compliance simplified, no matter where you are.



Learn more at [myob.com/westpac-open](https://myob.com/westpac-open)

Offer: Buy 1 month get 12 months free for base subscriptions of MYOB Lite, Pro or Payroll Only. Offer only available to Westpac Customers in Australia, who have not had an active MYOB subscription for at least 30 days. Additional fees and charges apply for the use of Premium Features, including Payroll, Online Payments and Premium Inventory. Offer may be withdrawn at any time. Other eligibility criteria may apply, see full terms and conditions before purchase here: <https://www.myob.com/au/legal/westpac-customer-open-offer>  
^Applications for online payments are subject to approval. Fees apply: \$0.25 per transaction + 1.8% of total invoice. Fees are inclusive of GST and will be automatically passed on to your customers unless you turn off surcharging. Payment accepted via Visa, Mastercard, AMEX, Apple Pay, Google Pay and PayPal. You can also choose to enable BPAY. You cannot pass on a surcharge to customers who pay via BPAY. View T&Cs here: <https://www.myob.com/au/legal/myob-invoicing-service-terms>. Apple Pay is a trademark of Apple Inc., registered in the U.S. and other countries. Google Pay is a trademark of Google LLC. Registered to BPAY Pty Ltd ABN 69 079 137 518.





**Terms and Conditions** This information is general in nature and has been prepared without taking your personal objectives, circumstances and needs and into account. You should consider the appropriateness of the information to your own circumstances and, if necessary, seek appropriate professional advice. Consider the PDS, T&Cs and TMDs available at [westpac.com.au](http://westpac.com.au) before making a decision. © Westpac Banking Corporation ABN 33 007 457 141 AFSL and Australian credit licence 233714.

**WBC006**