

Cash Flow

Cash Flow Basics

Cash flow refers to the cash that flows in and out of your business in any given period. Those two aspects of cash flow are called *inlay* and *outlay*.

Types of Inlay:

- Sale of goods or services
- Loans paid to you
- Sale of assets
- Owner investments
- Dividends from investments

Types of Outlay:

- Cost of goods sold
- Expenses
- Purchase of assets
- Credit card payments
- Owner draws, partner distributions, or shareholder distributions
- Loan repayments
- Tax payments

Cash Flow



Positive cash flow: When your business has more money coming in than going out during a specific period.



Negative cash flow: When your business has more money going out than coming in during a specific period.

Cash Flow Do's and Don'ts

DO	DON'T
<p>Do check your upcoming bills for the next 2-4 weeks before you buy. Can you pay your bills and make the purchase?</p> <p>Do plan for big purchases:</p> <ul style="list-style-type: none">• Develop a savings plan.• Avoid stacking expenses.• Check inlay and outlay patterns in your business.	<p>Don't confuse profit with cash flow. You can be profitable and still have negative cash flow.</p> <p>Don't spend money that you haven't received. Don't count on money until you've received it.</p> <p>Don't use a credit card unless you have a payoff plan. Create a plan BEFORE you spend on your credit card.</p>