

CashFlowTool For Accountants:

How To Run Cash Flow Meetings With Clients



Overview

Unfortunately for many businesses, the simple definition of cash flow (*the amount of money coming into and out of a company*) does not suggest how difficult it can be to understand, manage, and forecast it.

There are endless variables that complicate cash flow: timing of inflows vs. outflows, payment terms, seasonality of revenues, etc. Even accounting methods such as accrual vs. cash accounting can make this a nightmare for your clients to navigate.

That's where you come in. The accounting professional with the background and expertise needed to translate their accounting records from hieroglyphics into clear data that will help them make important business decisions.

How can accounting professionals help their clients understand, manage, and forecast cash flow?

By having recurring, cash flow meetings.

You have everything you need today to help your clients in this area. This guide will walk you through the steps to prepare for and execute a cash flow meeting – helping your clients navigate cash flow and have greater visibility into their financial performance, plus create a new recurring revenue stream for your firm.

Let's start with a defining what a cash flow meeting is, and what it isn't.

What It Is

A cash flow meeting is a **scheduled meeting** with a client that helps them understand, manage, and forecast cash flow to make better business decisions.

These meetings typically cover three things:

1. **What happened?** Discuss where cash was generated from (sales, credit line, owner contributions) and where it was spent (COGS, payroll, other expenditures). This helps them **understand cash flow**, specifically how they arrived where they are at today.
2. **Where are we today?** Discuss the company's current cash position and any other point-in-time (i.e., balance sheet) accounts that add clarity to their situation. For example, outstanding accounts receivable or accounts payable, loan balances, etc. This helps the client **manage cash flow** better by gaining clarity of their current status.
3. **Where are we going?** Discuss the next 1-3 months of upcoming inflow and outflow activity, and how that will affect the company's cash balance. This helps the client **forecast cash flow** to get ahead of any potential issues or manage cash surpluses.

Seem like a lot of information? Maybe at first, but in our experience, these meetings are typically 15-30 minutes.

The key is having an agenda and a list of questions prepared ahead of time. This is so both parties (you and your client) maximize the time together by focusing on the decisions that need to be made based on the information.

What It Isn't

This meeting is not for preparing a business plan or *long-term* projections. We are here to provide short-term, operational information to help our clients make decisions that affect their business today!

This meeting is also not for walking the client through their financial statements, discussing variances and answering questions like:

- “What is included in Transportation expense?”
- Does Marketing & Promotion Expense include our Facebook Ads or is that in the Advertising line?
- Where does our line of credit show up on these statements?”

We're here to talk about cash flow – past, present, and future!

Make Sure You Prepare

To keep these meetings on track and maximize their output, there are a few key things that you will want to prepare before the meeting.

1. Make sure the accounting records are up-to-date (or as up-to-date as possible)
2. Prepare the historical information. Typically, this is since the last time you met with them (last week, last month, etc.) so you can bridge the gap. Focus on:
 - a. Starting cash balances
 - b. Cash inflows (by customer or major category)
 - c. Cash outflows (by vendor or major category)
 - d. Ending cash balance
3. Review the historical information and identify anything out of the norm that you will want to bring to the client's attention. For example:
 - a. How did our inflows, outflows and cash balance compare to the prior weeks/months?
 - b. Did anything occur that we did not expect? (recall your last meeting)
 - c. Were there any surprises? i.e., large expenditures
4. If the company records invoices and bills in QuickBooks, copy over open invoices (accounts receivable) and unpaid bills (accounts payable) into your template, and forecast out their payments.

Populate an [excel template](#) or use software like [CashFlowTool](#) to do this for you automatically.

When selecting a forecasted payment date for these items, we recommend using either the due date or average days to pay for the customer/vendor, if you have the information.

Download AR/AP reports from QuickBooks or use software to do this for you.

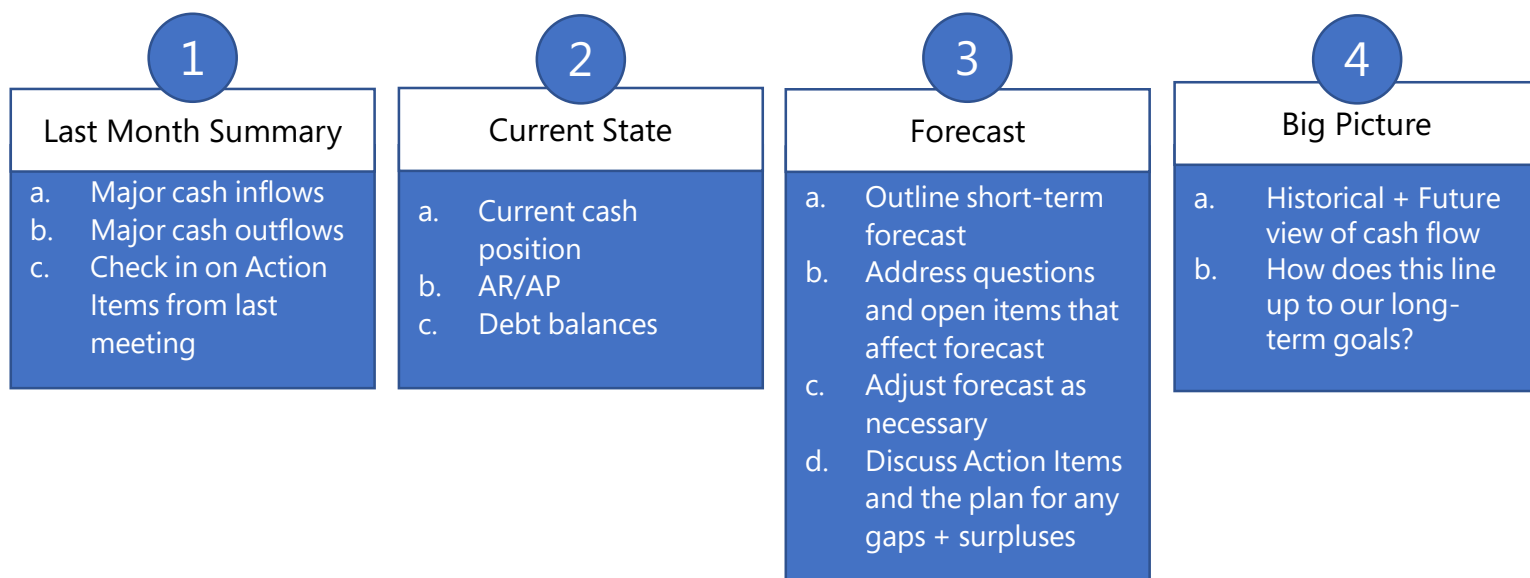
Make Sure You Prepare (cont'd)

5. Add any other cash inflows or cash outflows that you know are recurring based on the historical period or from your previous conversations. For example, make sure to include:
 - a. Recurring examples
 - i. Sales/revenue from recurring customers or sources (hopefully!)
 - ii. Payroll + other employee costs
 - iii. Cost of goods sold
 - iv. Software costs
 - v. Rent + utilities
 - vi. Insurance
 - b. Non-recurring examples
 - i. One-time or variable project revenue
 - ii. Loan draws or payments
 - iii. Equipment purchases
 - iv. Investments
6. Compile questions. The answers to these questions will serve as inputs to make the cash flow forecast more accurate. Here are some examples:
 - a. (If open invoices) When do you expect to collect from your customers?
 - b. (If unpaid bills) When will we pay these bills?
 - c. Do you have a sales forecast for the next 1-3 months?
 - d. Any large purchases we need to make in the next few months?
 - e. Any upcoming changes to employee costs i.e., new employees, terminations, bonuses, etc.?

Use the historical bank registers from QuickBooks to identify recurring items or use software to identify these for you.

Now you are ready to knock this out of the park!

Meeting Time! Set the Agenda



Now the fun part. Execution! Let's go through each one-by-one and give you some examples of how this meeting can go.

First: Last Month Summary (What happened?)

This first part of the meeting, we are focused on helping the client **understand** where cash was generated from and where it was spent. This is more informational in nature, and may feel like a narrative at first, but is extremely useful for your client to gain the understanding they need.

Since you are talking about the actual historical data here, this can be a great time to hammer home the difference between net income / net profit on the income statement, and the actual cash flow that occurs in the business.

During this portion of the meeting, you will also want to sprinkle in some insights and references to the last time you met.

For example, this might go something like this:

Hi Deborah,

Let's talk about what happened last month.

Your cash balance increased last month by \$15,275, which is great. We are building back up that cash reserve after we were burning cash during December and January.

The major drivers were \$16,700 from B-Town Exteriors and \$10,250 from KD Expo. I know the B-Town Exteriors invoice was outstanding for a while and we were able to collect on it.

On the outflows side ... we had your typical monthly recurring expenses, including a \$11,400 owner draw, staff payroll, the car lease, etc. There was a \$5,000 payment to Huffington Electronics was well – was that for new equipment? Are there future payments for this that we should include in the forecast?

As we have discussed before, your net cash flow of \$15,275 differs from the net income on your income statement of \$5,000. Understanding your cash position and cash flow is helpful in making our day-to-day decisions, our net income is something we will track over time to gauge our profitability as a company.

Any questions on this or things I can help you better understand?

Using visuals during this portion of the meeting is extremely helpful. A simple table or chart like the below should do the trick.

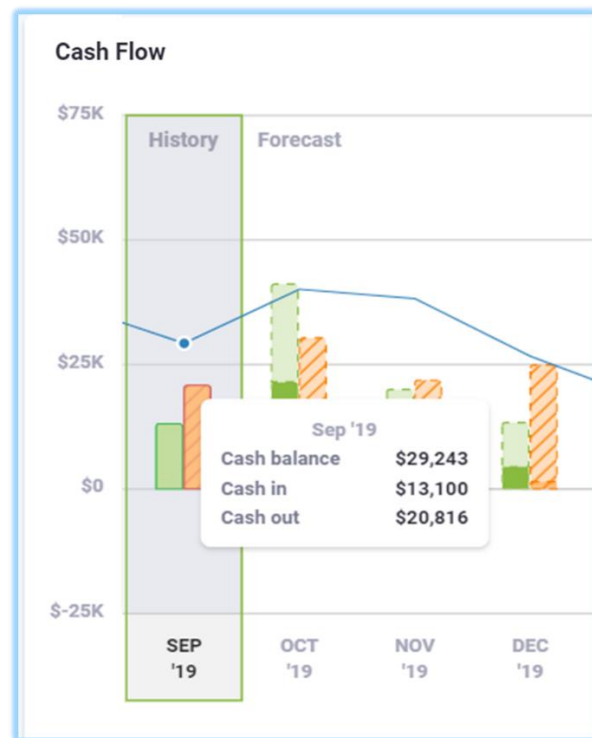


Figure 1: CashFlowTool's Interactive Chart

Second: Your Current State (Where are we today?)

During this portion of the meeting, we are focused on giving our client a snapshot of where they are today. This will help them **manage cash flow** in the near term by having a clear picture of their situation. We want to zero-in on balance sheet items, like cash balance, accounts receivable and accounts payable (if relevant) and debt balances, including credit cards.

This portion of the meeting could go like this:

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Today you have \$28,760 in the bank, you can see the breakdown in your bank accounts here.

There are 6 outstanding invoices for \$54,224. The invoices for Hunter Therapeutics and Real Networks are nearly 40 days overdue. Have you or the team spoken to them recently? When should we expect those coming in? I will adjust the forecast here to reflect it.

You have 5 outstanding bills for \$9,500. These are all due this month, so we will need to make sure to pay those.

You have a \$18,000 balance taken out of your credit line as well, meaning you have only \$2,000 left. We should plan on paying down that balance over the next few months as we have surplus cash, since we may need it when the business gets busier over the summer.

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You can provide your client the balances of these items and a breakdown of AR/AP if that is important to them. Typically, you will not want to provide the whole balance sheet, since that will bring up other questions and may derail the meeting agenda.



Figure 2: CashFlowTool's Cash Metrics

Next: Forecast (Where are we going?)

During this portion of the meeting, we are focused on the future. Specifically, concentrate on **forecasting cash flow** based on what we know about the company and their recurring activities.

We should have some initial questions prepped to help drive the discussion. Plus, we should have already populated the forecast with the items that we know about (i.e., recurring activities).

The first goal is to obtain additional information to “complete” (or update) the forecast, and then discuss some action items that the client may need to take moving forward until the next meeting.

Here’s an example of how this might sound:

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Moving on to the cash flow forecast for the next 3 months, we populated the revenue forecast using an average of the last 3 months plus the outstanding receivables coming in over the next 30 days, including Hunter Therapeutics and Real Networks. Is there anything we are missing here on the revenue forecast that we should add? Any new customers or projects?

On the outflow side, we included your typical payroll costs, rent + utilities, plus a monthly average of what you have been paying your top 3 suppliers. I just included the ongoing cost for Huffington Electronics as well.

Any additional equipment that needs to be purchased or other expenditures that need to be included?

Based on that info, it looks like we are going to have a slight cash inflow over the next couple of months. I know our goal is to build cash reserves to ~\$100k before our busy season in the summer, so we should consider if there are any new revenue paths or cutting down on some of the equipment purchases to help us get to that level.

We also need to collect the receivables from Hunter Therapeutics and Real Networks – otherwise we could be in a worse position and have to draw the remainder of the credit line. Let’s make sure to keep an eye on those.

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Similar to the first step (What Happened?), it is critical to provide visuals to illustrate this portion of the conversation. It’s even more important to have a system that is flexible where you can make adjustments on the fly. Graphs and charts work wonders with clients in these situations, especially if you can make live updates to them to show them the effects on their cash balance over time.

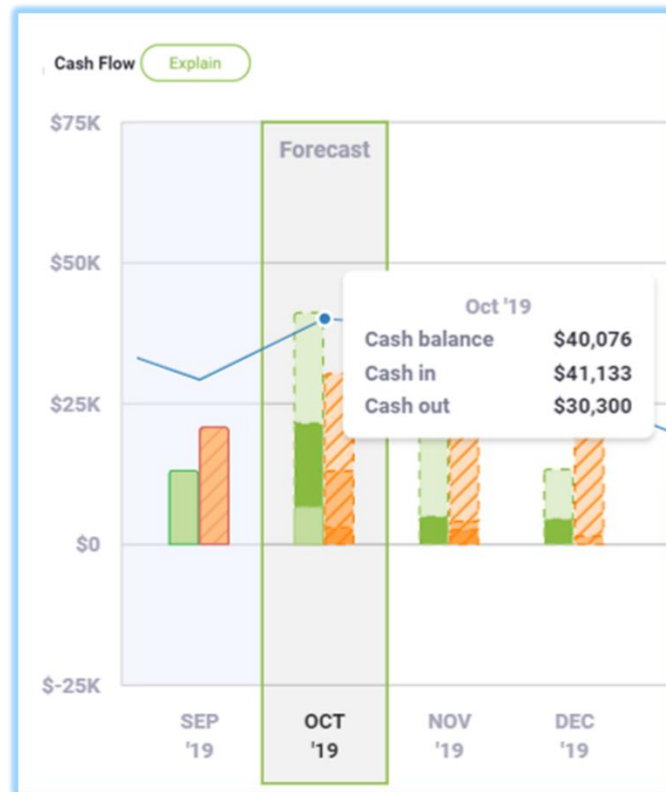


Figure 3: CashFlowTool's Future Forecast by month

Last: Bring It All Together

To finish off the meeting, it's important to end on the big picture. The meeting up to this point has been very tactical, on purpose, but it helps to bring it all into perspective.

Close the meeting with a view of the past 12 months of historical cash flow and the 6 months ahead. Remind the client of the financial goals that they have for the year and how this is helping them get there.

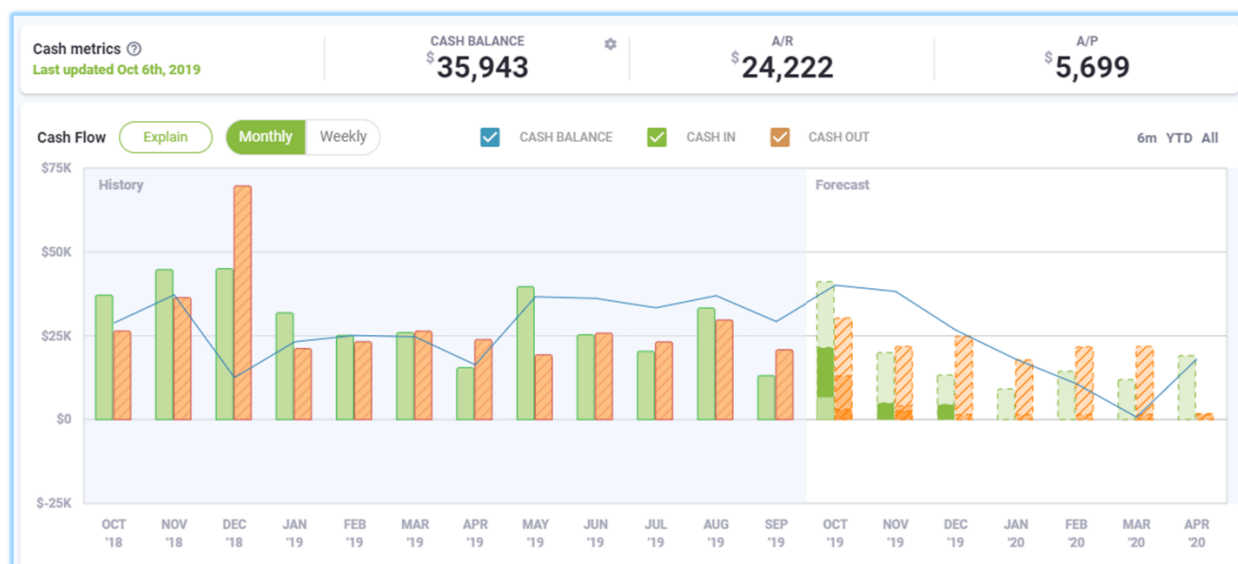


Figure 4: CashFlowTool's Future Forecast by month

Make sure to give them a copy of your notes for the Action Items (for example, making attempts to collect on specific receivables). Shoot these in an email to your client afterwards so there is record, and you can easily pull it up in the beginning of your next meeting for reference.

The Result For Your Client

At the end of these meetings your client should be thinking...

- I understand where my cash came from and where it went last week/month
- I know how much cash is in the bank, and if there are any critical unpaid bills or open invoices receivables outstanding from customers that need action NOW
- I have an informed expectation of the cash inflows, cash outflows, and my resulting cash balance will be over the next 3 months based on the discussion
- Action Items to help make the forecast a reality

Automation is Key

CashFlowTool is a technology solution that enables you to provide cash flow meetings to your clients at scale. Rather than go through the meeting preparation and execution using excel spreadsheets and templates, CashFlowTool integrates with your clients accounting system to pull in relevant data, run analysis and maximize your efficiencies.

Check out www.cashflowtool.com/accountants to learn more.

