



## Checklist of "Cash Flow Crunch" Warning Signs

### What is a cash flow crunch?

**Cash flow** is the inflow and outflow of money from a business. It is necessary for your day-to-day operations, funding payroll, paying vendors, purchasing inventory and other operating costs.

**Positive cash flow** is when your business has more money coming in vs. going out; over the long-term, this is how value is created shareholders.

**Negative cash flow** is when more money is flowing out from the business in the form of accounts payable, debt and interest payments, payroll, rent and other expenses.

A **cash flow crunch** occurs when a state of negative cash flow is substantial enough to impact operational functionality, either for a short or sustained period.

### Warning signs checklist

Check out the "*warning signs checklist*" below and see if any of these traits are showing at your business:

#### **Revenue issues:**

- *Low sales volume*
- *Rapidly expanding sales volume*
- *Market and seasonal fluctuations*
- *Allowing too many accounts to become past-due receivables.*
- *Reliance on receivables concentrations (i.e., big customers) who pay late.*
- *Offering too many customers delayed payment programs.*

#### **Expense items:**

- *Gross margins are too low (you're paying too much for inventory or not charging enough)*
- *Slow moving, obsolete inventory*
- *Net margins are too low (operating costs are perhaps out of control)*
- *A long lead-time between raw materials purchases and finished goods.*
- *Losing out on discounts with suppliers and vendors*
- *Employees are not operating near maximum productivity.*
- *Plant or offices are too large, causing waste of resources.*

#### **Cash and debt concerns:**

- *Inadequate cash reserves*
- *Lack of sufficient working capital line of credit*
- *Over reliance on short-term debt to fund cash flow*
- *Funding fixed with short-term debt or current assets with long-term debt.*

### MyCFO can help your business!

Whether your business is rolling along at full speed or barely managing to hang on, a "cash flow crunch" can prove devastating in a very short time. The professionals at **MyCFO** would be pleased to discuss how we can help your business in managing cash flow. [Contact us](#) today for a free initial consultation!