

WHERE DID THE CASH GO ?

Sample company

"MY ACCOUNTANT SAYS I MADE A PROFIT... SO WHY DID MY BANK BALANCE GO BACKWARDS ??"

Here's how easily it can happen

YOUR OPERATING PROFIT FOR THE MONTH =	\$ 15,500	Surplus	← off your P&L report
Plus/minus other Cash movements not included in your accountant's Operating Profit figure;			
<u>THE MINUSES</u>			
Your receipts were low, so you banked less money from Customers than you Invoiced out	-\$6,500		
You paid a Dividend to yourself	-\$5,000		
You increased your Stocks	-\$8,000		
You paid for new Computer Equipment	-\$3,000		
You paid out a vehicle lease early	-\$6,000		
= DECREASE IN CASH	<hr/>	-\$28,500	
MOVEMENT IN YOUR BANK BALANCE =	-13,000	Reduction	← your Bank account

This is a common problem Many businesses are making "book" profitsbut THEIR CASH IS GOING BACKWARDS

and unless you're monitoring this each month, you won't know until you run out of cash.

This calculation should be done EACH MONTH.

Its an easy calculation so long as information is kept up-to-date in your computerised accounting system