

Making Everything Easier!™

Cash Flow

FOR

DUMMIES®

Learn to:

- Grasp the basic principles of cash flow management

Secure business with positive and consistent cash flow

Bring financial security to your company

Distinguish profit and cash flow from profit

Tage C. Tracy

Principal owner of TMK & Associates

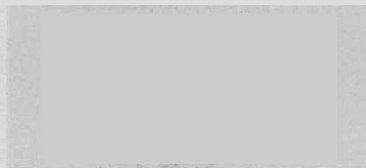
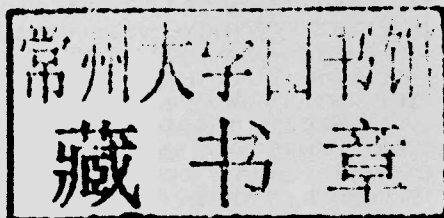
John A. Tracy

Author of Accounting For Dummies



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by Tage C. Tracy and John A. Tracy



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About the Authors

Tage C. Tracy (Poway, California) is the principal owner of TMK & Associates, an accounting, financial, and strategic business-planning consulting firm focused on supporting small- to medium-sized businesses since 1993. Tage received his baccalaureate in accounting in 1985 from the University of Colorado at Boulder with honors. Tage began his career with Coopers & Lybrand (now merged into PricewaterhouseCoopers). More recently, Tage coauthored with his father, John, *How to Manage Profit and Cash Flow* and *Small Business Financial Management Kit For Dummies*.

John A. Tracy (Boulder, Colorado) is professor of accounting, emeritus, at the University of Colorado in Boulder. Before his 35-year tenure at Boulder, he was on the business faculty for four years at the University of California at Berkeley. He served as staff accountant at Ernst & Young and is the author of several books on accounting and finance, including *Accounting For Dummies*, *Accounting Workbook For Dummies*, *The Fast Forward MBA in Finance*, and *How to Read a Financial Report*. He has coauthored two books with his son Tage, *How to Manage Profit and Cash Flow* and *Small Business Financial Management Kit For Dummies*. Dr. Tracy received his BSC degree from Creighton University and earned his MBA and PhD degrees from the University of Wisconsin. He is a CPA (inactive) in Colorado.

Dedication

We would like to dedicate this book to the backbone of the U.S. economy, namely the tens of thousands of business owners, managers, and entrepreneurs that battle every day to make their companies succeed. Remember that while the deck at times may seem stacked against you during these trying economic times, your spirit cannot be deterred. Our simple hope is that for those of you experiencing cash flow problems or just simply looking to understand cash flows a little better, this book can help ease your pain and offer additional insight on how to improve and manage your business interests.

We also want to mention who this book is not dedicated to: the politicians in Washington and across the U.S. and the banksters that have lost sight of what it means to create, launch, build, and operate a business. Simply put, these parties have spent too much time managing other people's hard-earned money and not enough time creating real value, wealth, and opportunity. Think of the Grinch from the wonderful story by Dr. Seuss, *How the Grinch Stole Christmas*. The Grinch attempted to "steal" Christmas by taking all of the trees, presents, decorations, and whatever else was available from Whoville. Yet Christmas still came, and it was then that the Grinch realized that "Maybe, just maybe, Christmas meant a little bit more." When the politicians and banksters finally realize that maybe, just maybe, owning a business and risking everything one has to pursue a dream means just a little bit more, the unparalleled historical disconnect between the twin Ws (Washington and Wall Street) and Main Street America will begin to evaporate, allowing for real growth to resume.

From Tage Tracy: I would like to dedicate this book to my old man and coauthor (or as I refer to him, TOP, or The Old Pro). About seven years ago, my dad, in a manner reminiscent of Vito Corleone of *The Godfather*, made me an offer I couldn't refuse: Take over the family business or else. (Thank goodness we didn't own a horse, but I was concerned about our cat from time to time). In this case, the family business involved carrying on his remarkable and deeply insightful legacy of being able to translate even the most complex and difficult accounting and financial concepts into easy-to-comprehend layman's terms. As for the "else," well let's just say that the old man has threatened to ditch me from his will more than once (a running joke in our family). I am forever grateful for the opportunity to write with and learn from TOP.

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Some of the people who helped bring this book to market include the following:

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Acquisitions Editor: Stacy Kennedy

Copy Editor: Caitlin Copple

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Introduction

Cash Flow For Dummies explains how cash flows in the business setting. In broad terms, *cash flow* refers to generating or producing cash (cash inflows) and using or consuming cash (cash outflows). As such, maybe the simplest way to view cash flows are to consider them the blood of the business, and you must keep that blood circulating at all times in order to avoid failure or death. So the first rule is that you can't run out of cash, no more than you can run out of blood, and although you might be able to go on cash flow life support for a short time, the outcome of this strategy is almost always extremely painful. In addition to explaining the basics of cash flow, this book then tackles numerous issues on how to improve cash flow and manage this invaluable resource more efficiently. Continuing the analogy of cash flow being the blood of the business, we assist you in keeping your arteries free and clear of any potential blockages to ensure that your blood flows freely and that your business's health is protected at all times.

In large business organizations, cash-flow duties are delegated to finance professionals. In small businesses, and even in many midsize businesses, managers and owners have to take a more direct role in cash-flow affairs, and this area of business management isn't always easy to navigate. That's why we're here to help.

Cash flow is both clear and opaque. Borrowing money from a bank is an obvious source of cash. But when should you borrow money, what payment terms should you negotiate, and what are the risks of debt? Our book provides practical answers for the fundamental cash-flow questions facing every business. We explain the crucial difference between recording a profit, which is an accounting measure, and generating cash flow from that profit. Many business managers confuse profit and cash flow, which can have serious consequences. With this book at hand, you'll be prepared to handle cash flow in an efficient and profitable way.

About This Book

Cash Flow For Dummies aims to help managers and owners of small and midsize business who have direct involvement in the cash flows of their business. We also provide very useful information for business lenders and investors. Although business finance professionals may find fresh insights in this book, this book sticks to essentials, and we don't delve into technical areas.