**CASH FLOW MANAGEMENT IS IMPORTANT**

Some businesses that are operating profitable operations have suffered financial difficulties.

This can occur because of:

* Excessive investment in debtors
* Overinvestment in inventory
* Excess investment in fixed assets

These excessive investments can be masked by an attractive business profit but cash flow is drying up.

You do not pay your bills with profit – you need cash!

When accountants complete a predictive accounting assignment it is a good idea to have a discussion with the client and to highlight how banker’s utilise these reports.

The Profit and Loss Account and Balance Sheet can be “manipulated” – assets overvalued, stock inflated, debtor’s recovery overstated, whereas the cash balances are based on facts and cannot be manipulated.

This is why banks are continually asking for three-way financial forecasts and the key document is the Cash Flow Forecast.

**ESS BIZTOOLS** includes guidelines relative to the preparation of Predictive Accounting Reports within the Advanced Product Package.

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