Cash Flow Management Tips For Business Owners

Presented By

Money Management Solutions Inc.

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Presented By

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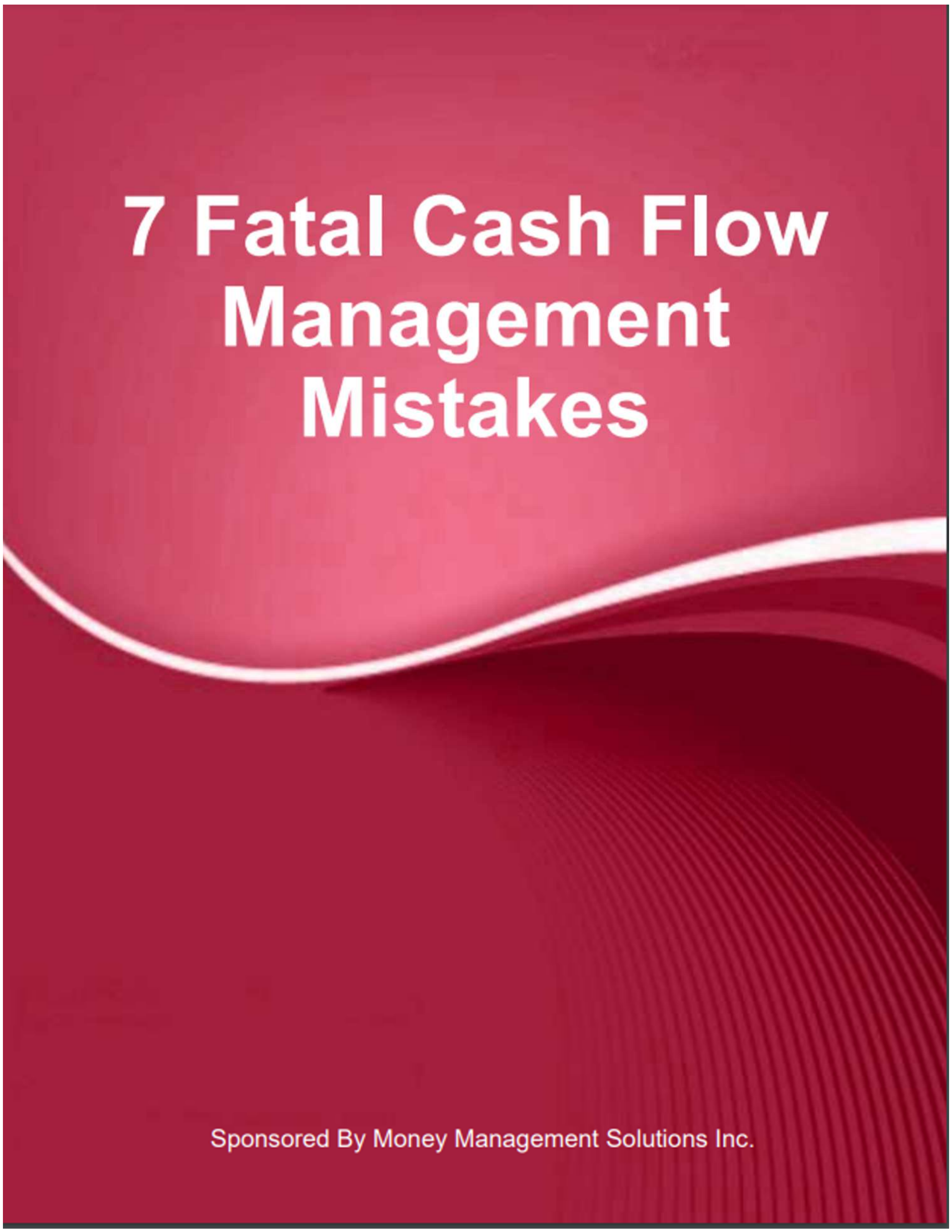
And its subsidiary

Cash Flow Mojo® Software

www.CashFlowMojoSoftware.com

Download Your Complimentary Copy Of 7 Fatal Cash Flow Management Mistakes

Download Link
https://www.moneymgmtsolutions.com/7



How to Build a Realistic BUDGET (Based on the past 12 months)

$________ How much you spent on **COGS (Cost Of Goods Sold)**
+$________ How much you spent on regular **Expenses**
+$________ How much you will need to pay down/ or off any **Debt?**
+$________ How much cash you need to save to cover financial **Emergencies?**
+$________ How much cash you need to save to fund **Business Expansion?**
+$________ How much cash you need to save to cover **Taxes and Legal Fees?**
+$________ How much cash you need to save for your **Retirement?**
=$________ GRAND TOTAL of **Revenue** you will need over the coming year
÷ ______52_ Divided by the number of **Weeks in 1 year**
=$_________ **Weekly Income Planning Target** to fund the BUDGET

-$__________ Your **Average Weekly Income** over the past year

=$__________ **How much more Income You Need To Make Each Week**

TIP: Update your Budget every 3 or 4 months (See 2nd purpose of a budget)


The Financi

Thursday, August 11, 2011

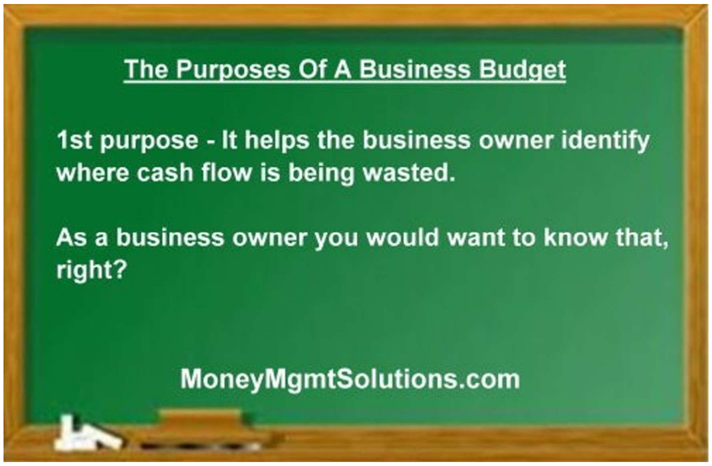
Money Management Works!

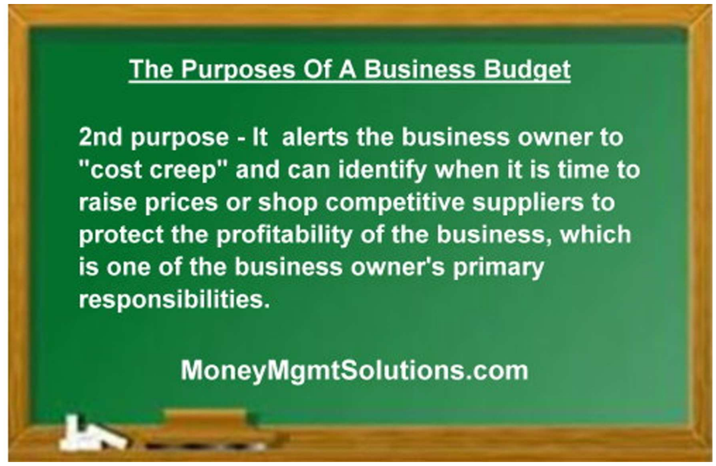
Sandra Simmons, President of Money Management Solutions, Inc. is busy helping business owners stay in business in this wild economy.

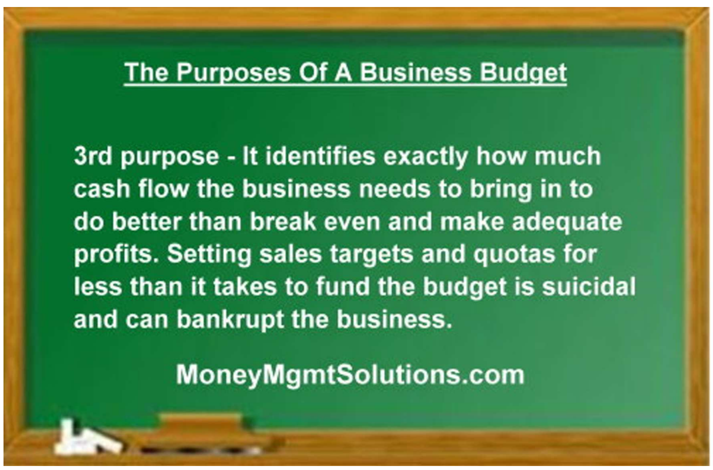
One recent success was reported by Dr. Jim who said, "I was 180 days behind in my bills and had no spare cash. I've been using Sandra's money management system for 6 months, and now all my bills are current and I have money in savings!" Quite a bright note in today's economic climate.

Sandra has been helping business owners manage their cash flow to their best financial advantage since 1994 and her system is in use by business owners in 24 countries around the world.

The 4 Purposes of a Business Budget







Use Your COGS Average To Identify Waste or Theft

	Prior Year	1st Quarter	2nd Quarter	3rd Quarter
Income				
Vet Service Fees	**1,283,552.20**	385,795.96	369,846.23	394,490.55
Total Income	**1,283,552.20**	**385,795.96**	**369,846.23**	**394,490.55**
Cost of Goods Sold				
Biomedical Waste Removal	1,519.42	384.16	448.81	516.67
Lab Fees	1,310.00	743.50	548.72	550.38
License Tags	30,766.38	8,755.50	10,816.89	11,780.00
Medical Supplies - Not For Resale	214,689.25	56,158.87	62,959.94	73,845.67
Products For Resale	308,649.21	93,375.12	91,975.91	97,562.12
Vet Professional Relief Labor	10,605.50	11,512.50	2,012.00	1,604.00
Total Cost Of Goods Sold	**567,539.76**	**170,929.65**	**168,762.27**	**185,858.84**
	44.22%	**44.31%**	**45.63%**	**47.11%**

Danger! Look for waste and theft

List of Articles On Handling Special Cash Flow Situations

7 Cash Flow Management Tips To Increase Profits

https://www.cashflowmojosoftware.com/7-cash-flow-management-tips/

Solving Cash Flow Problems - How To Take The Right Actions

https://www.cashflowmojosoftware.com/solving-cash-flow-problems-how-to-take-the-right-actions/

How To Manage Your Seasonal Business Cash Flow

https://www.cashflowmojosoftware.com/how-to-manage-your-seasonal-business-cash-flow/

How To Increase Business Cash Flow Using Financial Policies

https://www.cashflowmojosoftware.com/increase-business-cash-flow-using-financial-policies/

4 Ways to Improve Cash Flow to Solve Small Business Cash Flow Problems

https://www.cashflowmojosoftware.com/4-ways-improve-cash-flow-solve-small-business-cash-flow-problems/

3 Required Traits of a Good Business Cash Flow Manager - Do You Have Them?

https://www.cashflowmojosoftware.com/3-required-traits-of-a-good-business-cash-flow-manager/

Cash Flow Management and the Credit Card Trap

https://www.moneymgmtsolutions.com/cash-flow-management-and-the-credit-card-trap/

10 Mistakes People Make With Their Money

https://www.moneymgmtsolutions.com/10mistakes/

How to Calculate ROI for a Discounted Sale Price Promotion

Calculating ROI for a discounted sale price promotion involves evaluating the additional revenue generated from increased sales against the costs of the discount. Here's a plan for calculating ROI for a discounted sale price promotion for both a product and a service:

How to Calculate ROI for a Discounted Sale Price Promotion:

1. Identify Costs:

- Product Promotion:

- Calculate the total cost of goods sold for the discounted products.

- Service Promotion:

- Consider any additional resources, staff hours, or materials required to fulfill increased service demands.

2. Identify Benefits:

- Product Promotion:

  - Estimate the additional units sold due to the discount.

  - Multiply the additional units sold by the discounted sale price to calculate additional revenue.

- Service Promotion:

  - Estimate the increase in the number of clients or projects due to the promotion.

  - Multiply the increased number of clients/projects by the service price to calculate additional revenue.

3. Calculate Net Profit:

- Subtract the total costs (including the discount cost) from the total additional revenue to calculate the net profit generated by the promotion.

4. Calculate ROI:

- Use the following formula to calculate ROI:

ROI = Net Profit ÷ Total Costs X 100

$$\text{ROI} = \frac{\text{NET PROFIT}}{\text{TOTAL COSTS}} \times 100$$

ROI is typically represented as a percentage.

5. Analyze and Interpret:

- Evaluate the ROI percentage. A positive ROI indicates profitability, while a negative ROI suggests a loss.

- Consider the ROI in the context of the company's overall financial goals and marketing objectives.

Example Calculations:

Product Discounted Sale Price Promotion:

Let's say a retail store offers a 20% discount on a popular smartphone that costs $500. They sell an additional 200 units due to the promotion. The cost of goods sold per unit is $350.

- Total Costs: $350 X 200 = $70,000
- Additional Revenue: $400 (discounted price) X 200 = $80,000
- Net Profit: $80,000 - $70,000 = $10,000
- ROI: 10,000 ÷ 70,000 X 100 = 14.29 (approx.)

In this example, the ROI for the product discounted sale price promotion is approximately 14.29%.

Service Discounted Sale Price Promotion:

Consider a graphic design agency offering a 15% discount on their logo design service, which usually costs $1,000. Due to the promotion, they attract 10 additional clients.

- Total Costs: $0 (assuming no additional costs for servicing more clients)
- Additional Revenue: $850 (discounted price) X 10 = $8,500
- Net Profit: $8,500 - $0 = $8,500
- ROI: 8,500 ÷ 0 X 100 = infinite profit

In this example, the ROI for the service discounted sale price promotion is infinite, indicating a substantial return on investment as there were no additional costs incurred to fulfill the increased demand for services.

How To Calculate RIO (Return on Investment) on a <u>Product Diversification Project</u>

Product Diversification Project for a Hard Goods Retailer:

Definition: Product diversification for a hard goods retailer involves expanding the range of products offered within the existing product categories or adding entirely new product lines to attract a broader customer base and increase sales.

Example: Imagine a hard goods retailer specializing in electronics, such as smartphones and laptops. To diversify their product offerings, they decide to introduce a new line of smart home devices, including smart speakers, thermostats, and security cameras. By doing so, they can target customers interested in home automation and technology, thus expanding their market reach and potentially increasing overall sales and profitability.

Product Diversification Project for a Service Provider:

Definition: Product diversification for a service provider involves expanding the types of services offered to cater to different customer needs or entering entirely new service sectors to tap into new markets and revenue streams.

Example: Consider a digital marketing agency that initially provides services like social media management and content marketing. To diversify their services, they decide to add search engine optimization (SEO) services and website development to their portfolio. By offering a comprehensive suite of digital marketing services, they can attract clients looking for a one-stop solution for their online presence needs. This diversification not only broadens their client base but also enhances their competitive edge in the digital marketing industry.

How To Do the ROI Calculation:

Calculating ROI (Return on Investment) for a product diversification project involves assessing the financial benefits gained from the project against the costs incurred. Here's a step-by-step plan for calculating ROI for a product diversification project:

How To Calculate ROI for a Product Diversification Project:

1. Identify Costs:

List all the costs associated with the diversification project. This includes research and development, production, marketing, distribution, and any other relevant expenses.

2. Identify Benefits:

- Project the additional revenue generated from the diversified products.
  - Consider cost savings or increased efficiency resulting from the project.
  - Quantify any intangible benefits such as enhanced brand reputation or customer loyalty.

3. Calculate Net Profit:

Subtract the total costs from the total benefits to calculate the net profit generated by the diversification project.

4. Calculate ROI:

- Use the following formula to calculate ROI:

ROI = Net Profit ÷ Total Costs X 100

$$ROI = \frac{\text{NET PROFIT}}{\text{TOTAL COSTS}} \times 100$$

ROI is typically represented as a percentage.

5. Analyze and Interpret:

- Evaluate the ROI percentage. A positive ROI indicates profitability, while a negative ROI suggests a loss.
- Consider the ROI in the context of the company's overall financial goals and benchmarks.

Example Calculation:

Let's consider a company that invested $200,000 in a product diversification project. The additional revenue generated from the diversified products amounted to $350,000. After accounting for all costs, the net profit from the project is $150,000.

Using the ROI formula:

ROI = $150,000 ÷ $200,000 X 100 = 75%

In this example, the ROI for the product diversification project is 75%. This means that for every dollar invested, the company gained $1.75 in return, indicating a profitable venture.

Remember, while ROI is a useful metric, it's essential to consider other factors such as the project's timeline, associated risks, and the long-term impact on the company's overall strategy and goals.

“It’s not ONLY how much

money you make.

It’s WHAT YOU DO WITH IT

that determines your

financial condition.”

Sandra Simmons

"Managed money works harder, goes further, and accomplishes more than money that is spent without a plan."

Sandra Simmons