

Cash is King

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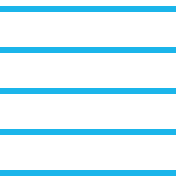


Table of Contents

Why Cash?	03
Embedding Cashflow Advisory Services	04
Scenario Planning	06
Cashflow Management	07
Pricing & Debtor Process Reviews	08
Debt and Capital Reviews	09
In Conclusion	10
Get the Ball Rolling	11



Why Cash?

When I founded Spotlight Reporting, one of my goals was to 'democratise' data. I wanted to help unlock and share the powerful data that core systems—accounting, financial and non-financial — have on hand, and to serve this data up in more useful and customisable ways. The cloud has made that easier than ever before.

This need for sharing curated data is perhaps most pressing in the area of cashflow. With most accounting done on an accrual basis, and with most banks just showing a daily snapshot of cash on hand, too many businesses and their accountants are flying blind on the issue of cashflow.

We all know that cash is the lifeblood of all businesses. Without liquidity, businesses wither and die. Every year in most major economies, tens of thousands of businesses fail or are in acute distress.

It may seem paradoxical, but you can be profitable and still go out of business. Or you can make massive 'bottom line' losses but be in good fiscal shape. The reason — cash.

Accountants and advisors are best-placed to do something about this massive problem in our economies. With access to cash data and, crucially, the ability to project this forward so that businesses not only have an early-warning system in place, but can make smart decisions in a timely manner, accountants should be putting cashflow management and forecasting at the heart of their service offerings.



My basic proposition to the accounting industry is that every business client deserves a cashflow forecast. Every business client deserves an understanding of cash and liquidity for better decision-making—and your care and attention as a trusted advisor to make it happen.

Embedding Cashflow Advisory Services

Cashflow forecasting and cashflow management advisory should not be a marginal, on-demand proposition. Helping clients look ahead with confidence and put in place basic cashflow maximisation strategies are core and essential.

Some high-value services for accountants to embed are:

-  01 Budgeting and Cashflow Forecasting
-  02 Scenario Planning
-  03 Cashflow Management
-  04 Pricing and Debtor Reviews
-  05 Debt and Capital Review

Cashflow forecasting is perhaps the single most obvious and useful accounting output. It should also be the most profitable and valuable service, if done efficiently and sold with a 'value-based' mindset.

And yet, many accounting firms leave cashflow forecasting out of their toolset. Why is this?

Firstly, accountants are busy or even bogged down with statutory accounting, tax returns and other compliance outputs. This leaves little time for discretionary service provision, even of the highly valuable type that can change outcomes for clients.

Secondly, tools have often been complex, over-

blown and somewhat daunting. Desktop-based, expensive and intricate forecasting tools have often left the profession feeling like they're trying to break the Enigma codes just to get a forecast done.

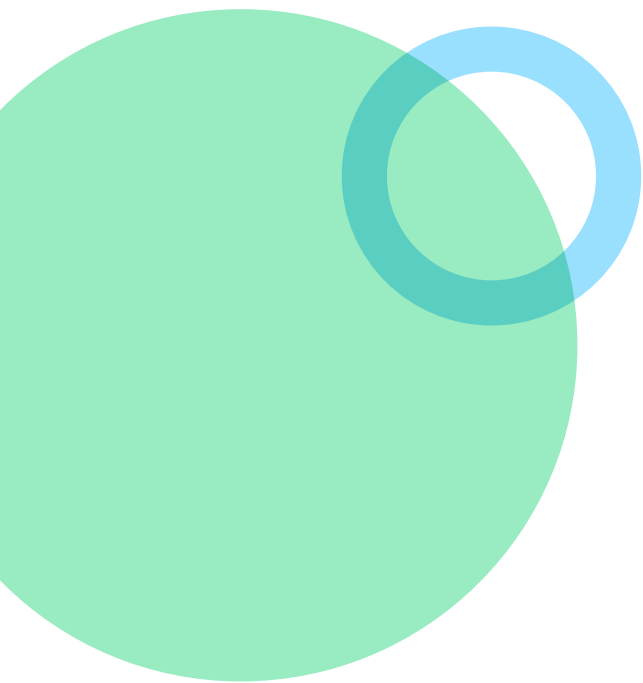
Thirdly, accountants have often seen forecasting as an on-demand, "the bank needs it" offering that comes off the bench when needed, but rarely makes the starting line-up. This is easy and — let's be honest — an intellectually lazy position to take.

Fourthly, it can be somewhat out of the comfort zone for many accountants to forecast—i.e. to make the judgement calls, extrapolations, and leaps of faith that forecasting requires—when they have been trained and conditioned to get things 'right', to balance the books, to reconcile actualities. Forecasting is pushing out into the unknown, beyond the edge of the map into new territories.

Well, my response to the obstacles listed above is that our industry needs to:

-  01 Make the time to do cashflow forecasting advisory.
-  02 Explore new cloud-based tools that can do cashflow forecasts in a fraction of the time, using available baseline data shared via the cloud.
-  03 Reconsider cashflow advisory as fringe and make it core, and
-  04 Feel the freedom of doing future-focused work of value.



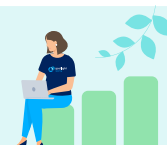


My hope is that accounting firms globally will offer cashflow forecasting and budgeting work as standard for clients of substance, utilise the cloud for efficiency and effectiveness, and capture value for themselves and their clients. Competitive advantage will accrue for those that make the move.

Cashflow forecasting doesn't have to be a big annual exercise, although a new trading year is a natural starting point. Periodic or 'rolling' forecasting—bringing in actuals and extending out the future view based on latest data and expectations—keeps the information fresh, relevant and sound for good decision-making.

Rolling Forecast data can be included in the 'Forward Projection' section of a Spotlight Report and/or in your Spotlight Forecast to keep that as useful as possible. This approach also has the benefit of locking in for the client a constant field of view, say 12-24 months.

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Scenario Planning

Scenario planning functionality can, in tools like Spotlight Forecasting, allow you to easily create multiple scenarios from your initial Budget. The power of this functionality is that you can test various theories or ‘what if?’ business opportunities for your clients. Gold.

As an advisor, you and your clients will face many forks in the road, including opportunities or obstacles to consider, plan for, or mitigate.



With a Budget and Cashflow Forecast locked in, plugging in some scenarios—pricing changes, new revenue lines, margin improvements, OPEX control—is easy and illuminating.

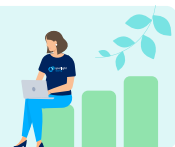


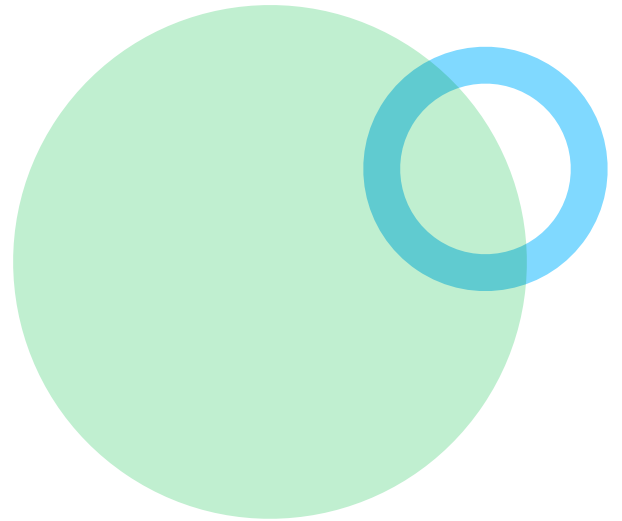
Tip:

Consider adding a scenario planning session to an annual budgeting and forecasting process.

Lock in the ‘expectation’ you and your client have of business activity and outcomes, but look at what could be achieved with an ‘aspiration’ scenario, with some of the key drivers of the businesses tweaked. This can be powerful stuff, especially if your advice and recommendations drive some of these aspirational outcomes.

**Request a demo of
Spotlight Forecasting**





Cashflow Management

This is the really low-hanging fruit service, helping clients have a short-term, “how am I going to pay the bills?” understanding and overview of their business cashflows. Various tools exist for this, or you can even fall back on that accounting staple, EXCEL.

Having a 90-day view of inflows and outflows gives the client some ability to micro-manage for cashflow positivity. In general, you’d want this oversight to be handled internally, by a trusted bookkeeper, or perhaps in regular collaboration with you.

Pricing & Debtor Process Reviews

An often overlooked opportunity to deploy accounting and business experience and insight is to work with clients on their pricing model and terms and conditions. These two areas—encompassing what and how they charge, what margins are achievable, how they bundle and promote, what expectations they set with their customers—are fruitful areas to explore, advise and take action on.

Additionally, pricing and debtor process review work flows elegantly into the creation of accurate Budgets, Cashflow Forecasts and some “what if?” scenario planning.



Tip:

This review work is best done on **an annual basis** (at a minimum), so is a great service option to lock in to your workflow — and your own fee projections.



Debt and Capital Reviews

Most businesses carry debt, have capital requirements, and/or have material Balance Sheet items that impact on cashflow now and into the future. These can be forgotten if there is too much focus purely on trading cash inflows and outflows.

Key areas of focus can be:



'Right-sizing' existing loans — review terms, rates, and the overall debt profile of the business. Often significant cashflow and interest charge improvements can be achieved with a periodic review of existing debt.



Shareholder drawings—as all accountants and bookkeepers know, this is an area to keep an eye on and to plan for!



Capital—what needs does the business have? Is investment—either from existing shareholders, or new investors—required for the business to reach its potential?

In conclusion

Accountants have a great opportunity to put cashflow at the heart of their business model — and clients deserve this. Why?



Forecasting and cashflow management clarity are desperately needed by many businesses for either **survival or optimised growth trajectories**.



It's a bleedingly obvious use of an **accounting skillset**!



Cloud tools like Spotlight Forecasting make it easier than ever to **deploy at scale**.



The world needs predictive, proactive accountants **helping businesses look forward and plan with clarity**, and;

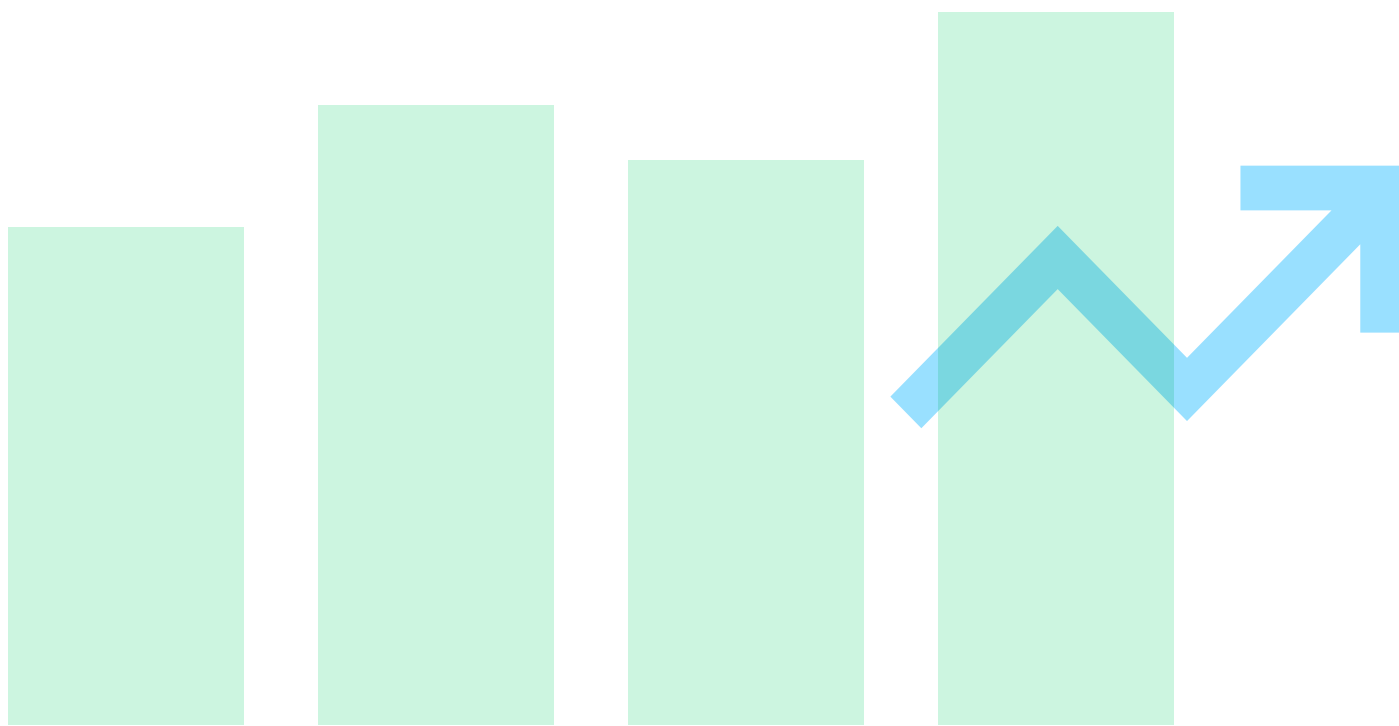


Because it should be a **low cost, high revenue and high margin set of services**, delivering value and satisfaction to clients too.

It's time to make sure cash is king, cloud-style.

Get the Ball Rolling

- ☑ As a firm, have a discussion about how you can offer cashflow forecasting.
- ☑ Explore Spotlight Forecasting by requesting a demo, or starting a trial.
- ☑ Think about how you'll go about offering a cashflow forecast to every business client.
- ☑ Consider whether you're able to offer the following services:
 - Budgeting and Cashflow forecasting
 - Scenario Planning
 - Cashflow Management
 - Pricing and Debtor reviews
 - Debt and Capital review
- ☑ Consider adding a scenario planning session to an annual budgeting and forecasting process for clients, and the value it would create.
- ☑ Review your Pricing and Debtor process.
- ☑ Consider conducting Debt and Capital reviews for your clients.
- ☑ Take a look at a Forecasting Sample Report.
[> Click here to download](#)



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