

MONEY SMART for Small Business

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Module Opening

Note to Instructors: As you prepare for and begin your training, keep these tips in mind:

- **Review the Guide to Presenting Money Smart for Small Business (MSSB).** This resource provides an overview of the MSSB structure, along with tools and guidance to help you plan, prepare, and deliver effective training.
- **Confirm accommodation needs early.** Ask participants in advance if they require any reasonable accommodations to fully engage in the training. Allow enough time to address these requests before the session begins.
- **Cover housekeeping details.** Share the agenda with timing and breaks, and explain how participants can ask questions or provide input. If you create slides for these items, place them in a separate file to keep slide numbers in this instructor guide aligned with the module slides.
- **Create a welcoming and collaborative atmosphere.** Start by acknowledging any nervousness participants may feel and encourage openness. Invite participants to briefly share their small business experiences so far.
- **Encourage participants to connect to each other.** Participants can support each other after the training. Encourage them to exchange contact information and set up plans to stay in touch, one-on-one or as part of a learning community.

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Note to Instructors: An activity in Section 1—Apply It: Projecting Cash Flow for My Business—requires participants to use information on actual cash inflows and outflows for their business. If you choose to have participants work on the activity during your training, ask them to bring that information to the training. Alternatively, participants can complete the activity on their own after the training.



Welcome Participants

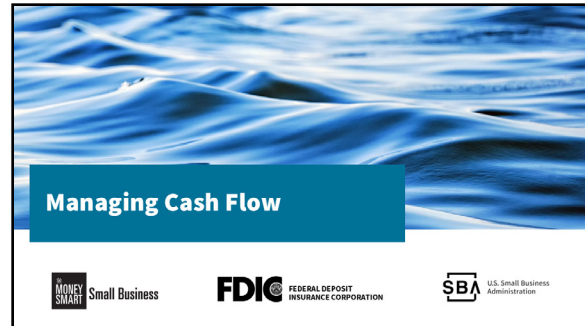
SHOW SLIDE 1

DO

- As participants arrive for the training, use this time to:
 - Welcome them and introduce yourself
 - Ask them to sign in for the training if you are using a sign-in sheet
 - Ensure that any requested reasonable accommodations are in place and make any necessary adjustments
- If the training is virtual, invite people to introduce themselves in the chat box, or set aside time for virtual introductions.

SAY

- Welcome to this training on Managing Cash Flow.



Participant Guide

SAY

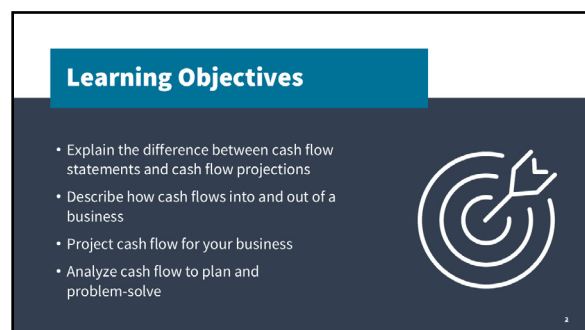
- Everyone has a copy of the participant guide. It contains information and discussion points to help you learn and become familiar with the topics we will present.
- We will use the participant guide throughout the training. You can write in it, as it is yours to keep.
- The participant guide can be a helpful reference after the training. It includes a For More Information section with relevant resources and a glossary defining key terms.

Learning Objectives

SHOW SLIDE 2

SAY

- This training will help you analyze your business's cash flow and manage it effectively.
- As a result of completing this module, you will be able to:
 - Explain the difference between cash flow actuals and cash flow projections
 - Describe how cash flows into and out of a business
 - Project cash flow for your business
 - Analyze cash flow to plan and problem-solve



Pre-Survey

SHOW SLIDE 3

SAY

- Please take 10 minutes to complete the pre-survey on page 1 of your participant guide.
- In part 1, circle the number that shows how much you agree with each statement.
- In part 2, answer the questions about today's training topics.
- After the training, you will revisit this survey to see what you have learned.

DO

- Collect all completed surveys.
- For in-person sessions, you may ask participants to complete the hardcopy surveys and tear them out of their participant guides.
- You may also use an online version of the survey for both in-person and web-based trainings.



Note to Instructors: An online survey may be especially useful for web-based training. You will need to prepare it in advance. A variety of survey platforms are available, including low-cost and no-cost options.

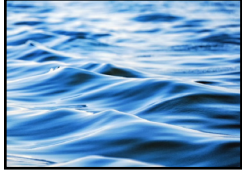
Pre-Survey
See page 1 in your participant guide.

Pre-Survey
This form will allow you and your instructor to see what you know about today's topics before the training.
Instructor: _____ Date: _____

Part 1. What Do You Know Before the Training?
Read the statements below and circle the number that shows how much you agree with each one.

not at all disagree	disagree	neutral	agree	not at all agree
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Section 1: Cash Flow Concepts

Time estimate for this section: 1 hour, 40 minutes

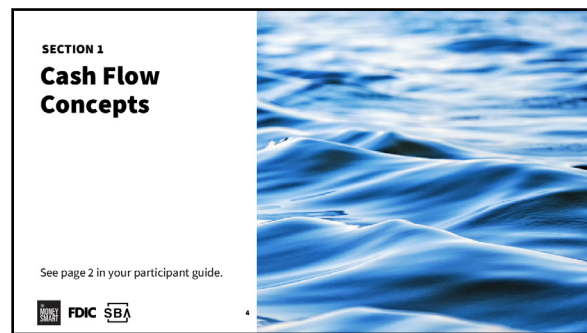
Participants will be able to:

- Explain the difference between cash flow statements and cash flow projections
- Describe how cash flows into and out of a business
- Project cash flow for their business

SHOW SLIDE 4

SAY

- See page 2 in your participant guide.
- We will discuss:
 - The difference between cash flow statements and cash flow projections
 - How cash flows into and out of a business
 - Projecting cash flow for your business



Measuring Periodic Cash Flow



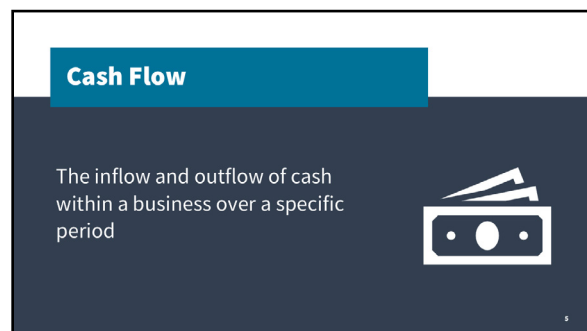
Lead discussion (15 minutes)

See page 2 in the participant guide.

SHOW SLIDE 5

SAY

- Cash flow is the inflow and outflow of cash within a business over a specific period.
- Cash flow is not just about how much money your business has today—it is also about understanding how much cash will be available at future points in time.



Note to Instructors: The modules on Budgeting and Financial Statements, Small Business Financing, and Recordkeeping complement the content of this module. Depending on the needs and interests of your participants, consider integrating these modules into your training.

ASK

- What are examples of cash inflows?



DO

- Write participant responses on a flip chart or whiteboard.
- Add these ideas if not mentioned:
 - Sales revenue
 - Loan proceeds
 - Cash contributed by investors
 - Grants

ASK

- What are examples of cash outflows?

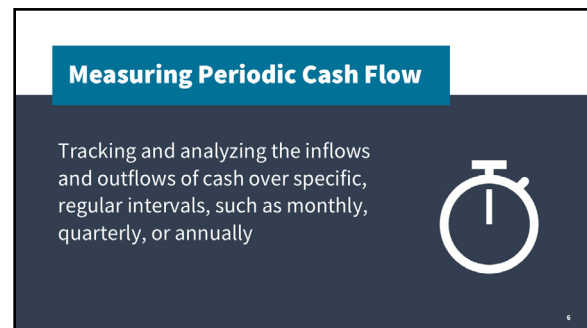
DO

- Write participant responses on a flip chart or whiteboard.
- Add these ideas if not mentioned:
 - Payments for costs and expenses.
 - Payments on debt
 - Payment of taxes

SHOW SLIDE 6

SAY

- Periodic cash flow measurement is tracking and analyzing the inflows and outflows of cash over specific, regular intervals, such as monthly, quarterly, or annually.
- It helps you understand your business's financial health and estimate your cash position in the future.



ASK

- Why is it important to estimate your cash position in the future?

DO

- Write participant responses on a flip chart or whiteboard.
- Add these ideas if not mentioned:
 - Helps you to plan for upcoming expenses like payroll or inventory purchases
 - Helps you to avoid cash shortages by knowing when there will be extra money or when you might need to cut costs
 - Helps you make informed decisions about business investments or loans




SHOW SLIDE 7

SAY

- Let's clarify the difference between two key tools:
- The **cash flow statement** is a backward-looking record of cash movements that happened over a specific period.
 - It shows actuals with the real cash flow activity.
 - It can be a basis for projecting cash flow into the future.
- In contrast, a **cash flow projection** is a forward-looking estimate of cash movements over a specific period.
 - It shows what may happen with cash: projections.
 - It estimates a business's future cash position.
 - A projected cash flow statement is also called a pro forma cash flow statement.

Cash Flow Statement vs Projections

Cash Flow Statement	Cash Flow Projection
<ul style="list-style-type: none">• Backward-looking record of cash movements over a specific period• Actuals• Can be a basis for projecting cash flow into the future	<ul style="list-style-type: none">• Forward-looking estimate of cash inflows and outflows• Projections• Estimates a business's future cash position• Also called a pro-forma cash flow statement

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Try It: Reading a Cash Flow Statement and Cash Flow Projections



Lead activity (20 minutes)

SHOW SLIDE 8

SAY

- Please turn to “Reading a Cash Flow Statement and Cash Flow Projections” activity on page 3 of your participant guide.
- We will look at an example combined cash flow statement and projections for a hypothetical company named Party Central. Later, you will use the table in your participant guide to answer questions about the business.
- The first thing to notice is that the table has four sections.
 - Three sections show cash flow from different types of business activities: operating activities, investing activities, and financing activities.
 - A summary section that looks at the change in cash, beginning cash, and ending cash, taking all three types of activities into account.
 - Let's take a closer look at the sections.

Try It: Reading a Cash Flow Statement and Cash Flow Projections

See page 3 in your participant guide.



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Combined Cash Flow Statement and Projections: Beginning Cash and Operating Activities, as Shown in the Participant Guide

Cash Flow Item	Cash Flow Statement – Actuals, August 2028		Cash Flow Projections, September 2028	
Beginning Cash	\$	2,500	\$	7,750
Operating Activities				
<i>Cash Inflows</i>				
Customers	\$	15,000	\$	14,000
Other Operations	\$	5,000	\$	0
<i>Additions to Cash</i>				
Decrease in Accounts Receivable	\$	2,500	\$	1,000
<i>Cash Outflows</i>				
Inventory Purchases	\$	(3,000)	\$	(2,000)
General Operating and Admin Expenses	\$	(4,000)	\$	(4,500)
Salaries and Wages	\$	(5,000)	\$	(6,000)
Interest Expenses	\$	(250)	\$	(250)
Income Taxes	\$	(1,000)	\$	(800)
Net Cash Flow from Operations	\$	9,250	\$	1,450

SHOW SLIDE 9

SAY

- The first row of the combined cash flow statement and projections is beginning cash. It is the amount of cash held by the business at the beginning of the period.
- The section for operating activities shows the cash flows from the core business operations.
- This section can include cash receipts from sales of goods and services, cash payments to suppliers and employees, and other cash transactions related to operating the business.

Cash Flow Item	Cash Flow Statement – Actuals, August 2028		Cash Flow Projections, September 2028	
Beginning Cash	\$	2,500	\$	7,750
Operating Activities				
<i>Cash Inflows</i>				
Customers	\$	15,000	\$	14,000
Other Operations	\$	5,000	\$	0
<i>Additions to Cash</i>				
Decrease in Accounts Receivable	\$	2,500	\$	1,000
<i>Cash Outflows</i>				
Inventory Purchases	\$	(3,000)	\$	(2,000)
General Operating and Admin Expenses	\$	(4,000)	\$	(4,500)
Salaries and Wages	\$	(5,000)	\$	(6,000)
Interest Expenses	\$	(250)	\$	(250)
Income Taxes	\$	(1,000)	\$	(800)
Net Cash Flow from Operations	\$	9,250	\$	1,450



Combined Cash Flow Statement and Projections: Investing Activities, as Shown in the Participant Guide

Cash Flow Item	Cash Flow Statement – Actuals, August 2028	Cash Flow Projections, September 2028
Investing Activities		
<i>Cash Inflows</i>		
Sale of Equipment	\$ 0	\$ 500
<i>Cash Outflows</i>		
Purchase of Equipment	\$ (2,500)	\$ (4,000)
Net Cash Flow from Investing	\$ (2,500)	\$ (3,500)

SHOW SLIDE 10

SAY

- The section for investing activities details the cash flows from the purchase and sale of long-term assets and investments.
- In this example, the business had outflows from the purchase of equipment in August.
- In September, the projections suggest that the business will both sell and purchase equipment.

Combined Cash Flow Statement and Projections: Investing Activities

Cash Flow Item	Cash Flow Statement – Actuals, August 2028	Cash Flow Projections, September 2028
Investing Activities		
<i>Cash Inflows</i>		
Sale of Equipment	\$ 0	\$ 500
<i>Cash Outflows</i>		
Purchase of Equipment	\$ (2,500)	\$ (4,000)
Net Cash Flow from Investing	\$ (2,500)	\$ (3,500)

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Combined Cash Flow Statement and Projections: Financing Activities, as Shown in the Participant Guide

Cash Flow Item	Cash Flow Statement – Actuals, August 2028	Cash Flow Projections, September 2028
Financing Activities		
<i>Cash Inflows</i>		
Borrowing (Loans)	\$ 0	\$ 0
<i>Cash Outflows</i>		
Owner's Distributions	\$ (1,500)	\$ (1,500)
Net Cash Flow from Financing	\$ (1,500)	\$ (1,500)



SHOW SLIDE 11

SAY

- The section for financing activities includes the cash flows from transactions with the company’s owners and creditors.
- This section can record inflows and outflows related to borrowing and repaying loans or paying distributions to owners, such as owner’s draws or dividends.

Combined Cash Flow Statement and Projections: Financing Activities

Cash Flow Item	Cash Flow Statement – Actuals, August 2028	Cash Flow Projections, September 2028
Financing Activities		
<i>Cash Inflows</i>		
Borrowing (Loans)	\$ 0	\$ 0
<i>Cash Outflows</i>		
Owner's Distributions	\$ (1,500)	\$ (1,500)
Net Cash Flow from Financing	\$ (1,500)	\$ (1,500)

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Combined Cash Flow Statement and Projections: Summary, as Shown in the Participant Guide

Cash Flow Item	Cash Flow Statement – Actuals, August 2028	Cash Flow Projections, September 2028
Summary		
Change in Cash	\$ 5,250	\$ (3,350)
Ending Cash	\$ 7,750	\$ 4,200

SHOW SLIDE 12

SAY

- The final section summarizes how the business’s cash position has changed.
- The change in cash is the net cash flow across operating activities, investing activities, and financing activities.
- The ending cash is the amount of cash held by the business at the end of the period. It is the sum of the beginning cash position and the net change in cash.

Combined Cash Flow Statement and Projections: Summary

Cash Flow Item	Cash Flow Statement – Actuals, August 2028	Cash Flow Projections, September 2028
Summary		
Change in Cash	\$ 5,250	\$ (3,350)
Ending Cash	\$ 7,750	\$ 4,200

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SHOW SLIDE 13

DO



- Divide participants into pairs.

Note to Instructors: In a web-based training, breakout rooms can make small group discussions possible among virtual participants. Alternatively, ask people to do this activity individually using the fillable fields in the participant guide.

SAY

- In pairs, take 5 minutes to use the example combined cash flow statement and projections to complete the table. Identify the row where each item is found and the amount.

Find...

- How much the owners withdrew from the business in August
- Inflows from sales to customers in August
- Planned outflows for purchasing equipment in September
- How much cash the business will have at the end of September based on the projections

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DO

- After 5 minutes, ask participants to share their answers. Provide the correct answers based on the answer key.

Try It: Reading a Cash Flow Statement and Cash Flow Projections – Answer Key

Find...	Row Label	Amount
How much the owners withdrew from the business in August	Owner's Distributions	\$ (1,500)
Inflows from sales to customers in August	Customers	\$ 15,000
Planned outflows for purchasing equipment in September	Purchase of Equipment	\$ (4,000)
How much cash the business will have at the end of September based on the projections	Ending Cash	\$ 4,200

The Cash Conversion Cycle




Present information (10 minutes)

SHOW SLIDE 14

SAY

- See page 5 in your participant guide.
- The cash conversion cycle (CCC) is a financial metric that measures how efficiently a company manages its working capital. Working capital is the money a business has available to meet its day-to-day expenses, calculated as current assets minus current liabilities.
- The CCC represents the number of days it takes for a company to convert the cash spent on inventory and other operating costs into cash flows from sales.
- It reflects the time between paying suppliers and collecting payments from sales.
- It is sometimes called the cash flow cycle.
- The shorter the cycle, the more efficient your business operations and payment terms are.

The Cash Conversion Cycle (CCC)



- Financial metric that measures how efficiently a company manages its working capital
- Represents days it takes to convert investments into cash
- Sometimes called the cash flow cycle
- Shorter CCC means a business is more efficient

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SHOW SLIDE 15

SAY

- The cash conversion cycle calculation has three components:
 - The days inventory outstanding (DIO) measures the time it takes to convert raw materials or labor into finished goods and sell them. This measures how long inventory is held before a sale occurs.
 - The days sales outstanding (DSO) measures the time it takes to collect cash from customers after a sale is made.
 - The days payables outstanding (DPO) measures the time the company takes to pay its suppliers and vendors.
- Your participant guide includes formulas for calculating these components. Once you have calculated them for your business, you can calculate the full cash conversion cycle.
- The cash conversion cycle is days inventory outstanding, plus days sales outstanding, minus days payables outstanding: $CCC = DIO + DSO - DPO$.

ASK

- What do you think is the ideal number of days in a cash conversion cycle?

DO

- Invite a few participants to share their answers.

SAY

- The typical cash conversion cycle is 30-45 days but depends on the industry.
- This metric depends on how long it takes a business to convert its investments in inventory and other resources into cash flows from sales.
- A short cash conversion cycle is beneficial for the business because it means inventory is turned into cash faster. Entrepreneurs don't want investments in inventory to sit on the shelves for a long time.
- A shorter cash conversion cycle indicates that a business is more efficient at converting its inventory investments into cash, which improves liquidity to pay bills, invest and respond to opportunities.
- A longer cash conversion cycle may suggest inefficiencies in inventory management, collections, or payment terms.

ASK

- What steps could you take to shorten the cash conversion cycle?


DO

- Write participant responses on a flip chart or whiteboard.
- Add these points if not mentioned:
 - Sell Inventory Faster: Optimize stock levels, avoid overstocking perishables, and promote slow-moving items to reduce the time inventory sits on shelves.
 - Collect Payments Quickly: Encourage immediate payments (cash or card), avoid offering credit, and use digital payment systems to speed up cash inflows.

Calculating CCC

$CCC = DIO + DSO - DPO$

- Has three components:
 - Days inventory outstanding (DIO): Days to convert raw materials or labor into finished goods and sell them.
 - Days sales outstanding (DSO): Days to collect cash from customers after a sale is made on credit
 - Days payables outstanding (DPO): Days to pay suppliers and vendors

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- Negotiate Supplier Payment Terms: Negotiate longer payment terms with suppliers to keep cash in the business longer without harming relationships. If possible, negotiate discounts for bulk purchases while maintaining favorable payment terms.

How Cash Flows Into and Out of a Business

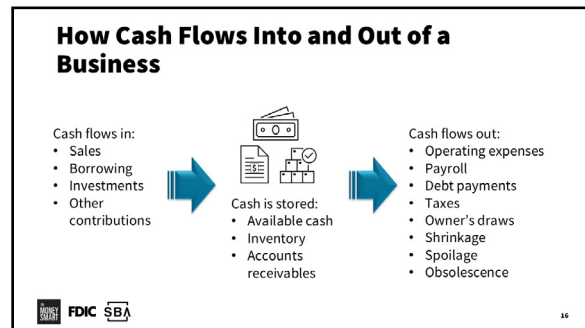


Present information (10 minutes)

SHOW SLIDE 16

SAY

- See page 6 in your participant guide.
- Let's visualize how cash flows through a business.
- This diagram shows ways that:
 - Cash flows in from sales, borrowing, investment, and other contributions.
 - Cash is stored as available cash, inventory, and accounts receivable.
 - Cash flows out for operating expenses, payroll, debt payments, taxes, owner's draws, shrinkage, spoilage, and obsolescence.



ASK

- What other examples can you think of for each category?
- Add these points if not mentioned:
 - Cash In: Loans, grants, or investment income.
 - Cash Stored: Prepaid expenses or deposits.
 - Cash Out: Marketing expenses, insurance premiums, or loan payments.
- How does this schematic help you understand your own cash flow?

Try It: Diagramming Cash Flow



Lead activity (25 minutes)

SHOW SLIDE 17

DO

- Ask participants to turn to “Try It: Diagramming Cash Flow” on page 6 of their participant guide.
- Read the scenario to participants or ask for a volunteer to do so. Participants will read the contents of the list on their own during the activity.

Try It: Diagramming Cash Flow

See page 6 in your participant guide.

- Employee wages in March – \$3,000
- SBA microloan payment in March – \$300
- Rent payment in March – \$2,000
- Cash in the cash register at closing on March 31 – \$500
- Additional cash invested by Babak in March – \$1,500
- Coffee sales in March – \$4,000
- Value of coffee bean inventory on at closing March 31 – \$1,000
- Pastry sales in March – \$5,000
- Short-term business loan proceeds received in March – \$2,500
- Coffee bean purchase in March – \$1,200

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Scenario: Babak's Cash Flow Analysis

Babak owns a coffee shop called The Wired Cup. He often seems to be short on cash, and in March, he had to contribute more of his personal funds to the business. He also took out a short-term business loan in the middle of March to cover expenses during the month. He wants to better understand his business's cash flow, starting with last month. He started a list of business activities from the month.

March Business Activities for The Wired Cup

- Employee wages in March - \$3,000
- SBA microloan payment in March - \$300
- Rent payment in March - \$2,000
- Cash in the cash register at closing on March 31 - \$500
- Additional cash invested by Babak in March - \$1,500
- Coffee sales in March - \$4,000
- Value of coffee bean inventory at closing March 31 - \$1,000
- Pastry sales in March - \$5,000
- Short-term business loan proceeds received in March - \$2,500
- Coffee bean purchase in March - \$1,200

SAY


- Take 10 minutes to help Babak build a picture of his cash flow by categorizing the items in the list as cash in, cash stored, or cash out.

SHOW SLIDE 18

DO

- After 10 minutes, provide the correct answers based on the answer key.

Cash In	Cash Stored	Cash Out
<ul style="list-style-type: none"> ▪ Additional cash invested by Babak in March - \$1,500 ▪ Coffee sales in March - \$4,000 ▪ Pastry sales in March - \$5,000 ▪ Short-term business loan proceeds received in March - \$2,500 	<ul style="list-style-type: none"> ▪ Cash in the cash register at closing on March 31 - \$500 ▪ Value of coffee bean inventory on at closing March 31 - \$1,000 	<ul style="list-style-type: none"> ▪ Employee wages in March - \$3,000 ▪ SBA microloan payment in March - \$300 ▪ Rent payment in March - \$2,000 ▪ Coffee bean purchase in March - \$1,200


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Try It: Diagramming Cash Flow– Answer Key

Cash In	Cash Stored	Cash Out
<ul style="list-style-type: none"> ▪ Additional cash invested by Babak in March – \$1,500 ▪ Coffee sales in March – \$4,000 ▪ Pastry sales in March – \$5,000 ▪ Short-term business loan proceeds received in March – \$2,500 	<ul style="list-style-type: none"> ▪ Cash in the cash register at closing on March 31 – \$500 ▪ Value of coffee bean inventory on at closing March 31 – \$1,000 	<ul style="list-style-type: none"> ▪ Employee wages in March – \$3,000 ▪ SBA microloan payment in March – \$300 ▪ Rent payment in March – \$2,000 ▪ Coffee bean purchase in March – \$1,200

ASK

- What may be missing from Babak’s list that should be included in his analysis of cash flow?

DO

- Write participant responses on a flip chart or whiteboard.
- Add these ideas if not mentioned:
 - Any income tax payments made during the period
 - Utilities
 - Supplies, such as cups, napkins, and cleaning materials
 - Marketing expenses

Maintaining a Cash Reserve



Lead discussion (10 minutes)

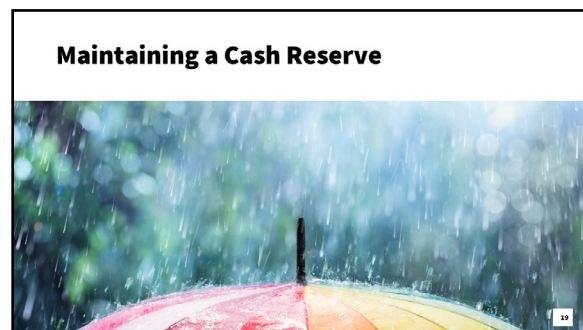
SHOW SLIDE 19

SAY

- See page 7 in your participant guide.
- One of the best ways to protect your business from cash flow challenges is to maintain a cash reserve.
- A cash reserve for a business is a fund you can draw on to meet business needs. It’s similar to a personal savings account, but for your business.

ASK

- When might a business use a cash reserve?



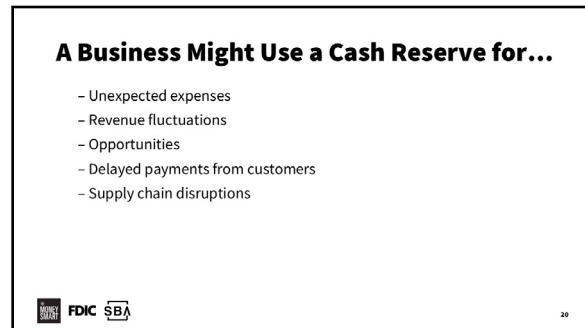
DO

- Write participant responses on a flip chart or whiteboard.

SHOW SLIDE 20

DO

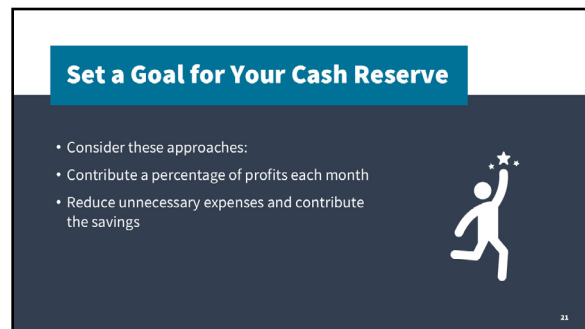
- Add these ideas if not mentioned:
 - Unexpected expenses: Covering sudden costs like equipment repairs or emergency maintenance.
 - Revenue fluctuations: Meeting obligations during periods of low sales. Periods of low sales can be due to seasonal variation, economic downturns, or reasons specific to your business or community.
 - Opportunities: Seizing unexpected business opportunities, such as a bulk purchase discount or a new investment.
 - Delayed payments from customers: Bridging gaps when customers delay payments or when there's a lag in receivables.
 - Supply chain disruptions: Handling increases in costs for materials you need.



SHOW SLIDE 21

SAY

- Set a goal for your cash reserve.
- For example, some businesses maintain a cash reserve that could cover 3–6 months of operating expenses.
- You can ask your accountant or other trusted sources for advice on how much to save.
- Start small and build from there.
- Consider these approaches to building a cash reserve:
 - Contribute a percentage of profits each month to the cash reserve
 - Reduce unnecessary expenses and contribute the savings to the cash reserve



Apply It: Cash Flow Components Checklist

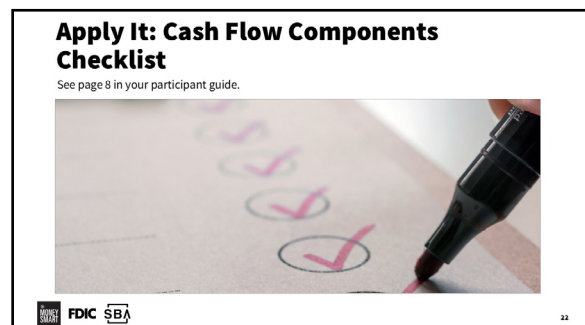


Present information (5 minutes)

SHOW SLIDE 22

DO

- Ask participants to turn to “Cash Flow Components Checklist” on page 8 of their participant guide.



SAY

- Use this checklist to identify business activities that are relevant to cash flow for your business. Check items that apply to your business and add any that are missing.
- You can complete this on your own after the training as a step toward understanding cash flow for your business.

Note to Instructors: If time permits, consider allocating 20-30 minutes in-class for participants to get started on this checklist. Circulate throughout the room, offering one-on-one help to participants. This activity can also be completed by the participant after the training session.

Apply It: Projecting Cash Flow for My Business



Lead activity (5 minutes)

SHOW SLIDE 23

DO

- Ask participants to turn to “Apply It: Projecting Cash Flow for My Business” on page 9 of their participant guide.

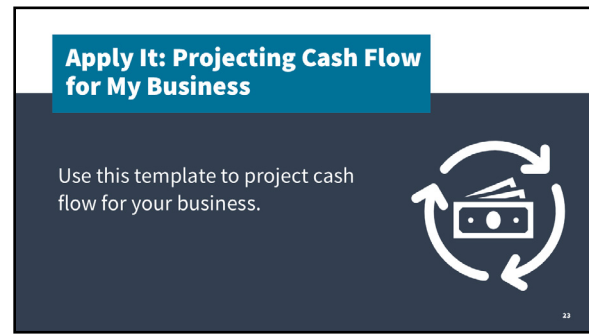
SAY

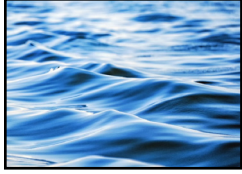
- You can use this template to project cash flow for your business. The template can be reproduced in an Excel spreadsheet with formulas to automate the calculations.
 - If your business is currently operating, make some reasonable financial and market assumptions to project what your cash flow could be for the following month.
 - If your business is pre-launch or starting up, project what cash flow could be during the first full month of operations given market conditions and your market research.
- Remember, these are just estimates and can be revised at any time. The idea is to get into the habit of thinking about cash flow.

DO

- Encourage participants to complete this template on their own after the training, if they don't have the necessary information.

Note to Instructors: In order to complete this activity during the class, be sure to notify participants in advance so they can bring the necessary information and documents with them. Consider allocating 20-30 minutes in-class for participants to get started on this template. Circulate throughout the room to offer one-on-one help to participants. In addition, you can lead group discussion on how participants are approaching this task, encouraging participants to help each other with ideas and advice.





Section 2: Cash Flow Analysis

Time estimate for this section: 40 minutes

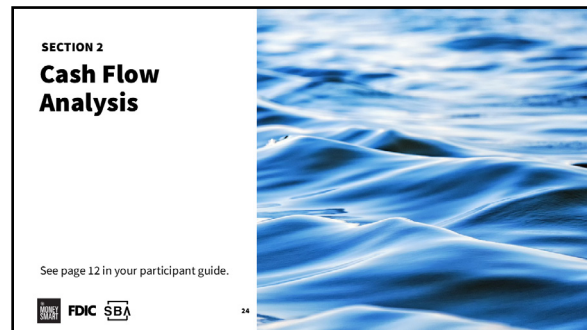
Participants will be able to:

- Analyze cash flow to plan and problem-solve

SHOW SLIDE 24

SAY

- See page 12 in your participant guide.
- We will discuss analyzing cash flow to plan and problem-solve.
- Developing cash flow projections is an essential tool for business planning and management.
- Cash flow projections help you avoid cash shortages and make informed decisions that grow your business.



Try It: Analyzing a Cash Flow Projection



Lead activity (30 minutes)

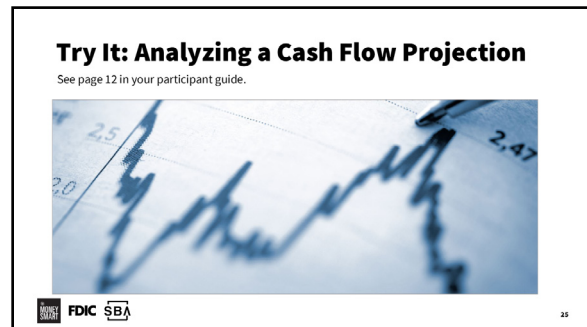
SHOW SLIDE 25

DO

- Ask participants to turn to “Try It: Analyzing a Cash Flow Projection” on page 12 of their participant guide.
- Divide participants into small groups (3–5 people per group).
- Assign each group one or two questions to answer using the provided cash flow projection.
- Read the scenario to participants or ask for a volunteer to do so.

SAY

- Each group will prepare a brief summary of their advice to Babak.
- Groups should highlight key points from their analysis and provide actionable recommendations.



Scenario: Babak Uses Cash Flow Projections to Plan

Babak developed cash flow projections for six months for his coffee shop, The Wired Cup. He wants to use those projections to help him make decisions about his business. He is considering these three possibilities, which are not currently included in his cash flow projections.

1. Should he hire extra help to handle increased customer demand in May and June? The extra help would cost about \$2,500 per month. It wouldn't increase revenue but would make his life easier during those months.
2. He needs a new commercial espresso machine. The model he prefers costs \$28,000 new. Should he buy it outright? What are his other options?
3. Babak and his bank discussed the possibility of a 24-month loan of \$10,000 for his business. Monthly payments would be \$500. If he took out the loan in April, he would receive the proceeds that month and begin monthly payments in May. How could he use the \$10,000 to improve his cash flow?

Cash Flow Projections for The Wired Cup

Month	April	May	June	July	August	September
Starting Cash	\$5,000	\$6,000	\$8,000	\$11,000	\$7,000	\$3,000
Cash Inflows	\$25,000	\$30,000	\$35,000	\$20,000	\$18,000	\$22,000
Cash Outflows	(\$24,000)	(\$28,000)	(\$32,000)	(\$24,000)	(\$22,000)	(\$21,000)
Ending Cash	\$6,000	\$8,000	\$11,000	\$7,000	\$3,000	\$4,000

DO

- Divide participants into groups of 4 to 6 people.
- Assign each group one of the three discussion questions. If there are more than three groups, more than one group can work on the same question.



Note to Instructors: In a web-based training, ask people to do this activity individually. You can assign the discussion questions based on the first letter of participant's last name. Participants with names from A to H get question 1, I to P get question 2, and Q to Z get question 3.

SAY

- In your small groups, take 10 minutes to discuss your question and write your advice to Babak in your participant guide.

DO

- After 10 minutes to discuss each question, invite groups to share their answers and add ideas from the answer key that are not mentioned.



Try It: Analyzing a Cash Flow Projection – Answer Key

1. Should he hire extra help to handle increased customer demand in May and June? The extra help would cost about \$2,500 per month. It wouldn't increase revenue but would make his life easier during those months.

Answer Key: While Babak can afford the extra help in the near term, the \$5,000 cost would deplete his cash. That may cause problems for his business in later months, when cash is tighter. Unless Babak makes other changes to his business, he should choose not to hire the extra help.

2. He needs a new commercial espresso machine. The model he prefers costs \$28,000 new. Should he buy it outright? What are his other options?

Answer Key: Buying the machine outright may strain finances. Babak could consider leasing a machine or financing the purchase. He could also consider cheaper models, including refurbished machines.

3. Babak and his bank discussed the possibility of a 24-month loan of \$10,000 for his business. Monthly payments would be \$500. If he took out the loan in April, how could he use the \$10,000 to improve his cash flow?

Answer Key: Babak could use the loan to purchase inventory in bulk, upgrade equipment, fund marketing campaigns, support hiring temporary part-time staff or set aside an emergency fund, all of which can enhance cash flow management.

Cash Flow Management Dos and Don'ts



Present information (10 minutes)

SHOW SLIDE 26

SAY

- See page 13 in your participant guide.
- Managing cash flow effectively is crucial for the long-term success of your business. Here are some key dos and don'ts to keep in mind.
- Do:
 - Plan for Seasonal Fluctuations: Every business has ups and downs. Identify slow periods and plan accordingly to maintain cash flow.
 - Maintain a Rapid Cash Conversion Cycle: Avoid tying up too much cash in inventory. Speed up accounts receivable to collect cash faster setting shorter and clear payment terms. Extend accounts payable to delay cash outflows without penalties such as negotiating longer payment terms with suppliers. Lease equipment instead of buying it or consider purchasing used equipment.
 - Manage Paperwork and Stay Organized: Keep organized financial records, including receipts, invoices, and bank statements. Use accounting software to track financial transactions, so that you can better

Cash Flow Management Dos and Don'ts

Dos	Don'ts
✓ Plan for Seasonal Fluctuations	X Overestimate Revenue
✓ Maintain a Rapid Cash Conversion Cycle	X Underestimate Costs
✓ Manage Paperwork and Stay Organized	X Postpone Paying Taxes
✓ Seek Expert Advice	X Hide from Loan Officers
✓ Build a Cash Reserve	X Pay Vendors Late

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manage cash flow.

- Seek Expert Advice: Consult with bookkeepers, accountants, and other trusted sources of advice to help with managing cash flow effectively.
 - Build a Cash Reserve: Set aside funds for unexpected expenses and opportunities and to cover obligations when business is slow.
- Don't:
- Overestimate Revenue: Be realistic about your sales projections to avoid cash flow shortages.
 - Underestimate Costs: Accurately account for all expenses, including hidden or unexpected costs.
 - Postpone Paying Taxes: Avoid using sales tax as a financing option. Penalties for late tax payments can be severe.
 - Hide from Loan Officers: If you anticipate difficulty making loan payments, communicate with your lender early to explore solutions.
 - Pay Vendors Late: Late payments can strain relationships with suppliers and disrupt your supply chain.

SHOW SLIDE 27

SAY

- It's professional to ask for help!
 - Seeking help on this complex subject is a sign of strength, not weakness. Bookkeepers, accountants, and other trusted sources of advice can help.
 - The U.S. Small Business Administration works with resource partners nationwide to provide mentorship and workshops on managing business finances to pre-launch entrepreneurs and existing businesses. Visit [sba.gov](https://www.sba.gov) and look under 'Local Assistance' to find out what is available in your area from Small Business Development Centers, SCORE business mentors, Veterans Business Outreach Centers, and Women's Business Centers.
 - Even competitors can be a source of advice. Sharing experiences and strategies with others in your industry can help you navigate common challenges.

Ask for Help!

Seeking help on this complex subject is a sign of strength, not weakness.

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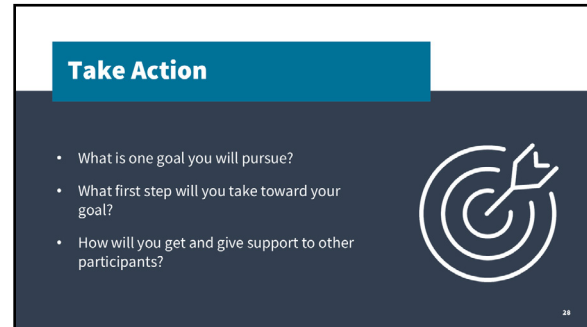
Module Closing

Take Action

SHOW SLIDE 28


SAY

- You are more likely to act if you commit to taking action now.
- Write down what you intend to do based on today's training on page 14 of your participant guide.



Take Action

- What is one goal you will pursue?
- What first step will you take toward your goal?
- How will you get and give support to other participants?



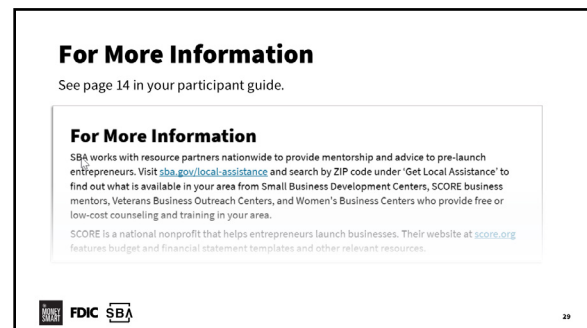
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For More Information

SHOW SLIDE 29

DO

- Encourage participants to explore the resources listed under For More Information on page 14 of their participant guide.
- Time permitting, mention resources from the listing you think will be especially helpful. The For More Information content is shown below as it appears in the participant guide.
- Note resources that are specific to participants' states or localities. Encourage participants to note them in the space provided.




For More Information

See page 14 in your participant guide.

For More Information

SBA works with resource partners nationwide to provide mentorship and advice to pre-launch entrepreneurs. Visit sba.gov/local-assistance and search by ZIP code under 'Get Local Assistance' to find out what is available in your area from Small Business Development Centers, SCORE business mentors, Veterans Business Outreach Centers, and Women's Business Centers who provide free or low-cost counseling and training in your area.

SCORE is a national nonprofit that helps entrepreneurs launch businesses. Their website at score.org features budget and financial statement templates and other relevant resources.



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For More Information, as Shown in the Participant Guide

The U.S. Small Business Administration's (SBA's) business guide includes a Manage Your Business module with a section on 'Manage Your Finances.' In addition, MySBALearning platform includes Journey 4: Your Business Financial Strategy. Visit sba.gov to explore these and other resources.

SBA works with resource partners nationwide to provide mentorship and workshops to pre-launch entrepreneurs and existing businesses on topics that include business credit. Visit sba.gov/local-assistance and search by ZIP code under 'Get Local Assistance' to find out what is available in your area from Small Business Development Centers, SCORE business mentors, Veterans Business Outreach Centers, and Women's Business Centers who provide free or low-cost counseling and training in your area.

SCORE is a national nonprofit that helps entrepreneurs launch businesses. Their website at score.org features articles and other relevant resources including a collection of user-friendly templates for business planning, including a cash flow statement and cash flow projection at <https://www.score.org/templates-resources/business-planning-financial-statements-template-gallery>.



You and other training participants can support each other after the training. Exchange contact information and set up plans to stay in touch, one-on-one or as part of a learning community.

Also explore resources that are specific to your state or locality.

The **Federal Deposit Insurance Corporation (FDIC)** preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least \$250,000; identifying, monitoring, and addressing risks to the Deposit Insurance Fund; and by limiting the effect on the economy and the financial system when a bank or thrift institution fails.

Visit the Small Business Topics webpage at fdic.gov/consumer-resource-center/small-business-topics to learn about a wide range of resources and tools for consumers and bankers that help plan, launch, manage and grow small business initiatives in their communities.

The FDIC also encourages bank lending to creditworthy small businesses. Small businesses that may have an inquiry or concern about policies, financial institutions, and referrals to other government agencies can contact the FDIC Small Business Hotline at 1-855-FDIC-BIZ (1-855-334-2249).

Visit fdic.gov/doing-business-fdic for information on doing business with the FDIC.

The **U.S. Small Business Administration (SBA)** provides resources, answers to frequently asked questions and more in support of small business owners. Visit sba.gov to explore the agency's learning platform, business guide, and other resources. Contact SBA's Answer Desk at 1-800-827-5722 or answerdesk@sba.gov for general inquiries.

SBA district offices offer help planning, starting, or growing your small business. Find your SBA district office by visiting sba.gov and searching for 'district office.'

The **U.S. Financial Literacy and Education Commission** hosts mymoney.gov, the federal government's one-stop web site for financial education resources from more than 20 federal agencies.

Post-Survey

SHOW SLIDE 30

SAY

- Please take 10 minutes to complete the post-survey on page 18 of your participant guide.
- In part 1, circle the number that shows how much you agree with each statement.
- In part 2, answer the questions about today's training topics.

DO

- Collect all completed surveys.

Post-Survey

See page 18 in your participant guide.

Post-Survey

This form will allow you and your instructor to see what you know about today's topics after the training.

Instructor: _____ Date: _____

Part 1. What Do You Know After the Training?

Read the statements below and circle the number that shows how much you agree with each one.

1 2 3 4 5

strongly disagree disagree neutral agree strongly agree

MONEY SMART FDIC SBA

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- For in-person sessions, you may ask participants to complete the hardcopy surveys and tear them out of their participant guides.
- You may also use an online version of the survey for both in-person and web-based trainings.



Note to Instructors: An online survey may be especially useful for web-based training. You will need to prepare it in advance. A variety of survey platforms are available, including low-cost and no-cost options.

Answer Key for Part 2 of the Pre- and Post-Survey

1. A cash flow statement tracks the movement of cash in and out of your business for a specific period of time.
 True False It depends
 The answer is **true**. The cash flow statement summarizes a business's inflows and outflows of cash.
2. Periodic cash flow measurement helps you estimate how much sales revenue you can generate in a 30-day period.
 True False It depends
 The answer is **false**. It helps a business owner estimate future cash position so that they can plan for expenses, investments, and potential shortfalls.
3. A pro forma cash flow statement is a historical record of cash inflows and outflows for a business.
 True False It depends
 The answer is **false**. A pro forma cash flow statement shows an estimate of cash inflows and outflows. It projects anticipated cash flows and helps a business owner plan for future expenses, investments and anticipate shortfalls.
4. Accurate cash flow projections can help a business owner decide whether to take on additional debt or seek financing to cover anticipated shortfalls.
 True False It depends
 The answer is **true**. Cash flow projections provide important information to inform these and other decisions.
5. The ideal cash cycle is 45 days.
 True False It depends
 The answer is **it depends**. The ideal cash cycle average is 30-45 days, but this number can change depending on the industry. The fewer days in the cycle, the more efficiently the business is operating.

Evaluation Form

SHOW SLIDE 31

SAY

- Thank you for coming to this Money Smart for Small Business training.
- Please complete the evaluation form on page 19 of your participant guide. Your feedback helps to improve future trainings.

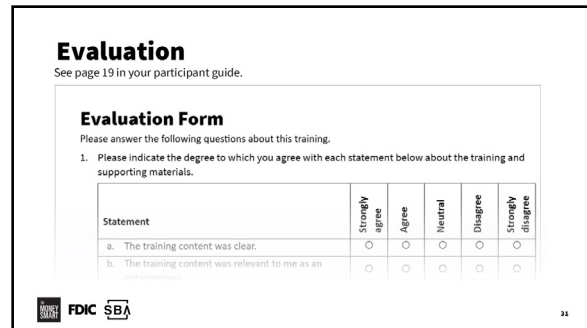
DO

- Collect the completed surveys.

SHOW SLIDE 32

SAY

- Thank you for coming to this Money Smart for Small Business training.



Evaluation
See page 19 in your participant guide.

Evaluation Form
Please answer the following questions about this training.

1. Please indicate the degree to which you agree with each statement below about the training and supporting materials.

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
a. The training content was clear.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. The training content was relevant to me as an entrepreneur.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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Glossary

Term	Definition
Accounts Payable	Money a business owes to suppliers or vendors for goods or services received but not yet paid for.
Accounts Receivable	Money owed to a business by its customers for goods or services delivered but not yet paid for.
Cash Conversion Cycle (CCC)	A measure of how quickly a business can convert the cash spent on inventory and other operating costs into cash from sales. It reflects the time between paying suppliers and collecting payments from sales.
Cash Flow	The movement of money into and out of a business over a specific period. Managing cash flow means ensuring there is enough money to cover expenses, including taxes.
Cash Flow Projection	An estimate of future cash inflows and outflows over a specific period, used to plan and manage finances.
Cash Flow Statement	A financial statement that shows how cash moves in and out of a business over a specific period.
Cash Inflows	Money received by a business, such as from sales, loan proceeds, or owner investments.
Cash Outflows	Money spent by a business, such as for rent, payroll, or supplies.
Cash Reserve	Money set aside by a business to cover unexpected expenses or periods of low revenue.
Days Inventory Outstanding (DIO)	The average number of days it takes a business to sell its inventory.
Days Payables Outstanding (DPO)	The average number of days a business takes to pay its suppliers.
Days Sales Outstanding (DSO)	The average number of days it takes a business to collect payment after a sale.
Ending Cash	The amount of cash a business has at the end of a specific period.
Financing Activities	Cash transactions related to borrowing, repaying loans, or owner distributions.
Investing Activities	Cash transactions related to buying or selling long-term assets like equipment.
Net Cash Flow	The difference between total cash inflows and outflows during a specific period. It indicates whether the business has more cash coming in than going out.
Operating Activities	Day-to-day business activities that generate revenue and incur expenses.



Term	Definition
Owner's Distribution (Owner's Draw)	Money taken out of the business by the owner for personal use.
Pro Forma Cash Flow Statement	A financial projection used to estimate future cash inflows and outflows for a specific period.
Starting Cash	The amount of cash a business has at the beginning of a specific period.
Working Capital	The money a business has available to meet its day-to-day expenses, calculated as current assets minus current liabilities.

