



Understanding Your Cash Flow Statement

What Is a Cash Flow Statement?

A Cash Flow Statement shows how money moves in and out of your business during a specific period of time. Unlike a Profit & Loss report, it focuses only on **actual cash**.

It answers one key question:

- Do you have enough cash to run your business?**
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What Your Cash Flow Statement Shows

A Cash Flow Statement is divided into three main sections:

I. Operating Activities

This shows cash generated from normal business operations.

Examples include:

- Customer payments received
- Vendor and operating expenses paid
- Payroll and routine business costs

This section shows whether your business operations are producing enough cash to sustain day-to-day activity.

II. Investing Activities

This reflects cash used for long-term investments.

Examples include:

- Equipment or vehicle purchases
- Software or technology investments

This section shows where you are reinvesting in the business.

III. Financing Activities

This shows cash related to funding and ownership.
Examples include:

- Owner contributions or draws
- Loan payments or financing activity

This section highlights how the business is funded.

What to Watch Month-to-Month

- Cash inflows versus cash outflows
- Periods of low cash balance
- Large expenses that affect liquidity
- Timing gaps between income earned and cash received

Consistent review helps prevent cash shortages.

Simple Habits That Keep Cash Flow Stable

- Review your cash flow monthly
 - Keep a cash reserve for slow periods
 - Monitor large or recurring expenses
 - Plan ahead for upcoming payments and obligations
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Why Your Cash Flow Statement Matters

Your Cash Flow Statement helps you:

- Ensure bills and payroll can be paid on time
 - Avoid cash surprises
 - Plan for growth and expenses
 - Maintain financial stability
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Helpful Tip: Strong profits don't always mean strong cash flow. Reviewing this statement alongside your P&L and Balance Sheet gives you the clearest financial picture.