SML Bookkeeping & Tax

Cash Flow Management Basics

KS-010

How small business owners can monitor money coming in and going out.

TOPIC	PREPARED BY	FORMAT
Small business education	SML Bookkeeping & Tax	Knowledge Sheet

Key message

Cash flow is the movement of money into and out of the business. A profitable business can still run into trouble if customers pay late, expenses arrive earlier than expected, or tax and payroll obligations are not planned ahead.

Cash flow - monthly workflow

1. **Track income** — Monitor sales, invoices issued and expected receipts.
2. **Track outgoings** — List wages, suppliers, rent, loans, tax and super.
3. **Forecast** — Estimate the next 4 to 12 weeks of cash movement.
4. **Act early** — Follow up debtors and plan tax or supplier payments.

Why cash flow matters

Cash flow determines whether the business can pay wages, suppliers, rent, tax, loans and owners on time. Profit reports are important, but cash timing needs separate attention.

What to monitor

- Bank balance and upcoming payments.
- Unpaid customer invoices and debtor age.
- Supplier bills and payment due dates.
- GST, BAS, PAYG withholding and super obligations.
- Loan repayments, rent and fixed commitments.

Good cash flow habits

- Review cash flow weekly, not only at BAS or tax time.
- Send invoices promptly and follow up overdue accounts.
- Separate tax money where possible.
- Plan for seasonal slow periods.
- Use bookkeeping reports to identify cash pressure early.

Common warning signs

- Customers are paying later than usual.

- Supplier bills are being delayed repeatedly.
- The business relies on GST or payroll amounts to cover normal expenses.
- Bank balance is growing but unpaid tax or super is also growing.

Example

A business has strong sales in March but most customers pay in May. The owner still needs to pay wages, rent and BAS in the meantime. A cash flow forecast helps identify the shortfall before it becomes urgent.

Common Questions

Is cash flow the same as profit?

No. Profit measures income less expenses. Cash flow focuses on timing of money received and paid.

How often should cash flow be reviewed?

Many small businesses benefit from a weekly review, especially when payroll, BAS or supplier payments are due.

Can accounting software help?

Yes, software reports can help, but the forecast should still reflect real payment timing and business plans.

Reference Sources

Source	Used for
Business.gov.au	Cash flow management and small business planning guidance.
Xero	Practical cash flow and bookkeeping report context.
CPA Australia	Professional context on cash flow, business planning and financial management.

Important note

This Knowledge Sheet provides general information only. It does not take into account the full circumstances of any business. Speak with SML Bookkeeping & Tax before making tax, payroll or compliance decisions.