

WHERE DID THE CASH GO ?

"I made a profit... so why did my bank balance go backwards?"

Example

JULY-SEPT
2006

OPERATING PROFIT FOR THE PERIOD

\$7,311

Plus/Minus Other Cash Movements not shown in Operating Profit.....

PLUS

I received more \$ from customers than I invoiced out

3,960

I built up a superannuation liability (not yet paid)

1,900

= INCREASE IN CASH

5,860

MINUS

I paid my suppliers more \$ than they invoiced me

-2,540

I paid off some Taxes

-5,500

I paid Dividends

-10,000

I repaid a Directors loan

-1,000

I bought Computer Equipment

-2,300

= DECREASE IN CASH

-21,340

= NETT CASH MOVEMENT

-\$8,169

Decline

Total Cash 30/6/06

17,985

Plus Cash Movement

-8,169

= TOTAL CASH 30/9/06

\$9,816