



Better Decisions, Faster Close

Situation: Stuck in the past:

A very profitable company that provides business services was struggling to manage its erratic cash flows.

- The invoicing process was managed by employees also responsible to deliver business services to clients. When it came to serving a customer or billing for services, serving the customer always won out
- The books kept on a cash, rather than the accrual, basis.
- The books were closed annually after the CPA completed the tax return, up to 6 months after the end of the fiscal year.
- They had no idea how they were performing from month to month.

The profit and loss statements that company employees were using gave them no insight into the business. They only looked at their bank account. When they needed more money they review their project delivery schedule and catch up on as enough invoices to cover their cash shortfall. Understandably, the cash cycle roller coaster created by these practices diverted management's attention from valuable business building to frequent crisis management.

Approach: CFO Training, Accrual Accounting and Cash Forecasting

KRM worked with their finance director, who was well-organized, but who had limited accounting training. KRM implemented a teaching program to arm her with the knowledge she needed to succeed in her role.

KRM helped create a monthly closing process that produced timely and accurate financials that could be leveraged during the forecasting process.

KRM moved the company's accounting system from cash to accrual so it could match expenses with revenues from month to month giving context to monthly performance.

KRM also created a tool that used accounting and finance information to forecast future cash flows. The company has a large percentage of its businesses contracted 6-12 months forward. The forecasting tool provides business transparency that allows the company to better size its staffing, travel and other expenditures to its future business activities.

Results: Better forecasting, cash savings

On the new accrual accounting system, within two months, the company had the books closed by the fifth work day after month end. The financial director had never previously closed them on a monthly basis, which deprived the company of an invaluable snapshot of its finances.

The CFO training, new processes and new tools allowed the company to:



- Invoice for and collect cash much quicker, eliminating the mad scrambles that resulted from previous erratic cash flows.
- Forecast business activity that allowed for adjustments to prevent significant down turns in profitability or cash collections.
- Turn its finance director from a historian to a business partner and strategic leader
- Create efficiencies and understand its cost structure, allowing it to place more accurate bids on future projects.
- Realize cost savings of nearly \$100,000 per year by discontinuing the practice of discounting invoices to get paid earlier.