

Process

If you're not in control of your AP, you're not in control of your business. You always need to understand what you owe, and your cash position. Not knowing the financial position of your small business is a massive risk.

This process supports small businesses in building a healthy cash position. It helps them confidently manage their payables and cash flow.

1. Regularly Record your Expenses

To ensure accurate tracking of all business expenses, it's crucial to record digital receipts promptly.

- Use scanning tools or apps to digitize paper receipts.
- Categorize each expense under specific headings such as materials, subcontractors, etc.

At TradeBrain, we use [QuickBooks](#) to quickly scan receipts on the go. This allows us to capture receipts and upload them immediately when the expense is incurred. We recommend that our partners do this at the end of each day, to make sure nothing is missed.

2. Establish an Expense Approval Process

Establish a clear process for seeking approval before incurring expenses. This could include defining spending limits that trigger different levels of approval. Collaborative tools or an email system can be used to streamline approval requests.

3. Create a Process around Cash Flow Management

Regularly reviewing your [cash flow statement](#). You will start to understand where your business is financially, and where it needs to be. Knowing what your monthly expenses are will help you gauge how much cash you need to have on hand.

Keeping cash flow forecasts regularly updated helps anticipate upcoming payments. Setting aside funds for accounts payable helps avoid cash shortages. As a general rule of thumb, we suggest a three-month run rate for small businesses. This means that if business slows, you'll still have cash to keep your team engaged.

4. Simplify Financial Reporting + Strategizing

Implementing accounting software can help streamline financial reporting. Regularly reviewing financial reports will help track expenses and cash flow effectively.

By having all of your financial information in one place, you can easily gauge the profitability — or lack thereof — of your business. Understanding a [profit and loss statement](#) and a [balance sheet](#) are two key skills of any successful business owner.

5. Determine Your Payment Schedule

Setting your business up with a payment schedule for when you pay vendors helps save time and streamline operations. It also helps you to better communicate with your suppliers and contractors as to when they can expect payments.

We find that settling outstanding bills bi-weekly is sufficient for most small businesses. Once resources are available they can switch to a weekly pay schedule.

