Four forces leveraging cash flow of a company

Cash flow has a challenge because it lags behind the profits for many businesses. A time lag remains unless payments are done promptly to avoid delays. Management of cash flow is a major challenge for small firms. Young businesses face a challenge because they might fail or succeed incase such challenges are not solved within the specified time. Managers should learn about the cash flow of their businesses so as to keep it healthy. It may take time to come up with the right strategy but it is helpful in the long-run. One major problem of cash flow is the fact that it may lag behind the profits earned in a business. To avoid a time lag in a business, customers will need to pay for goods and services on time. The business owner should also do the same to avoid a possible disconnect. To come up with a profitable business, four demand forces should be understood.

Four forces of demand satisfaction exist in a firms cash flow. The four forces are:

1. Taxes- money must be set aside to pay taxes.
2. Debt- credit lines are cumbersome.
3. Core Capital- It refers to two months of the operating cost in cash.
4. Distributions- the rewards of the company are taken after tax profits.

Failure to pay tax is unacceptable and unconstitutional. However, some people fail to pay tax because they have not made enough money. Some fail to pay because they want to make a lot of profits. The biggest challenge when it comes to paying tax is how complex the tax code is and the failure to plan for the taxes. Once business owners do not set aside the required amount of money for paying tax, they may face a problem when paying tax due to insufficient funds. Managers need to monitor the profitability of their businesses every now and then to ensure that all operations run smoothly (Joseph 2013). If tax is not paid within the required time, business owners may incur losses or penalties.

Poor management of debt has led to the failure of many businesses. Hard decisions can be made before a business starts to face major challenges. Paying for losses while using credit financing is not recommended. Lines of credit should be used to ensure that a business becomes profitable. Lines of credit should be used to ensure the profitability of a business. Using a line to cover a loss leads to financial constraints that affect the running of a business. It is important to note that debts can be paid after gaining tax profits. However, there are few exceptions to this. It is a successful method to entrepreneurs who have a successful business. They can also use one hundred percent of pre-tax profits to pay debts. A business may be denied access to loans by financial institutions if it has a bad reputation of failing to pay taxes (Joseph 2013). Debts should mostly be used to purchase necessary assets. Payments also may fail to reflect the money that is used to pay for such assets.

It is essential to find the simple calculations which let a manager determine whether a business is healthy. A business can be profitable but if cash is pulled out of the company for wrong reasons, it will fall within a short time. Most managers overlook that fact hence making mistakes that lead to the failure of their businesses. The greatest downstroke in managing cash flows for various companies is equal to three months of operating expenses.

Setting core capital target at approximately two months of the operating expenses is important in a business. Targets may be set high to ensure every operation is carried as planned.

After taking care of cash flow forces, a business owner will enjoy profits earned. After doing so, tax it may not be necessary to diversify the wealth of the business. If the entrepreneur does not have several sources of income, the business may be headed in the wrong direction. It is, therefore, important for managers to ensure that they pay employees the right amount of salary so as to meet their daily needs. If a business has profits, they should be well distributed to get rid of personal debts. It is also important to distribute them to build assets on the outside environment. In summary, one a business is profitable, its debt, taxes and core capital should be well determined. Using such factors when running a business is also a good formula for coming up with wealth that lasts for a long period.

It is unacceptable not to pay tax. The complexity of tax code can be a hindrance to paying tax. Profits should be determined each quarter so as to determine what to pay. Poor debt management has resulted to the failure of most businesses. It leads to postponing of decisions. Funding losses using credit financing is not recommendable. It is possible to use credit lines to promote growth of a business. Decisions become hard to make with time. Debts may only be paid with after-tax profits. Most entrepreneurs use pre-tax income in paying debts. Such debt may be incurred while buying an essential asset. Simple calculations can be used to find a healthy business. A business can be profitable but taking unnecessary cash can lead to its downfall. Deep down strokes in operating cash for companies is often equal to several months of operating expenses (usually two months). Core capital target should be set after two months.

Once the first cash flow forces are taken, profits of the business can be enjoyed. Tax profits can also be used for business diversification. Profits should first be used to eliminate debts followed by building assets. A profitable business has debts, taxes and core capital. Doing so helps to build a lasting business and profits constant for a long time. Companies around the world have been coming up with ways of creating strategies which ensure that they improve their own liquidity position (Lehar 2005). The function of managing the working capital covers the tactics that treasurers use in order to improve the nature of cash flows and liquidity. Ironically, these are the areas that most businesses neglect in times of good business performance.

From the perspective of a consumer, the major characteristics of FMCGs include frequent purchase, low involvement, low price, short shelf life and daily consumption. Marketers argue that the main characteristics of FMCG are high volumes, high stock turnover, extensive distribution networks and low contribution margins. FMCG are mostly the low priced products. They vary among different products. Electronics may also be sold in such companies. Some of the consumer electronics sold include MP3 players, mobile phones, earphones, game players, digital disposable cameras and OTG cables (*Shah 2013).*

Category management is a purchasing and retailing concept in a range of purchased products. It may be broken into different groups of related products. Such groups are also called product categories. Some of the categories of such businesses are toothpastes, tinned fish and washing detergents. It is a disciplined and systematic approach to the management of product categories as strategic business units. All categories of FMCG are run as small business units. They therefore have low sets of turnover or profitability strategies and targets. Introduction of various category management in businesses alter the relationship that exists between suppliers and retailers (*Shah 2013).* Instead of adversarial relationships, such a firm moves to collaboration, sharing of joint and data business buildings and exchange of different types of information.

Research and marketing specialists ensure that they are well informed in modern marketing. FMCG is one industry that cannot be ignored. Such goods are sold on a wide scale everywhere in the world. A lot of money is spent in efforts of increasing profits. It is worth noting that the FMCG sector has some of the biggest brands. Such companies include Nestle, Coca-cola, Dove and Budweiser. Some of the best and biggest marketing trends in the FMCG sector has been developed in the last few years (*Shah 2013).*

Use of the internet is a major necessity in the modern world. Most clients may want to feel involved with goods. It also affects TV advertising and traditional marketing because it is digital marketing. Coca cola uses popular marketing campaigns that help improve the sales made. In the FMCG sector, goods are consumed, bought and discarded by consumers on a daily basis. Marketers understand the significance of using natural products without artificial or additives. Use of social medial also helps consumers to connect with their preferred brands.