PRIME ENTRY BOOKKEEPING™

IS YOUR CASH FLOW A BOOKS PROBLEM?

A Simple Diagnostic

For small business owners who want to know whether tight cash is a business reality or a financial picture problem worth investigating.

Tight cash flow is one of the most common experiences in small business ownership. It's also one of the most commonly misread. Some businesses are structurally cash-tight — seasonal revenue, long receivables cycles, front-loaded costs. Others feel cash-tight because the books aren't showing the complete picture. The two feel identical from the inside. The causes and the fixes are completely different.

This diagnostic helps you sort which situation you're in. Work through the five sections below and note your answers. The patterns that emerge will tell you more about your cash flow than most monthly reports do.

Section 1: What the Books Are Actually Showing

These questions assess whether the financial picture your books create is reliable enough to diagnose a cash flow problem.

1. Are your bank accounts fully reconciled — every account, to the cent — for the most recent three months?

- ☐ Yes, every account reconciled and confirmed
- ☐ Mostly — some accounts reconciled, some approximate → → *Books signal: partial picture*
- ☐ No — reconciliations are behind or incomplete → → *Books signal: unreliable foundation*

2. Does your P&L for last month reflect what you remember the month feeling like — or does something seem off?

- ☐ Yes, the report matches my sense of the month
- ☐ Close, but I mentally adjust certain numbers → → *Books signal: gap between books and reality*
- ☐ No — the report doesn't feel like my business → → *Books signal: significant misalignment*

3. Is your accounts receivable balance current — does it reflect what clients actually owe you right now?

- ☐ Yes, receivables are current and verified
- ☐ Probably — I haven't reviewed it recently → → *Books signal: potential overstated assets*
- ☐ No — there may be old balances still showing → → *Books signal: receivables not reflecting reality*

If you answered anything other than the first option on two or more questions in Section 1, the books may not be giving you a reliable enough picture to diagnose cash flow correctly. The diagnostic continues — but keep this in mind as you read the results.

Section 2: The Timing of Money Movement

Cash flow problems often come from timing — when money arrives relative to when it's needed — rather than from a shortage of revenue.

4. Do you regularly collect deposits or retainers before work begins?

- ☐ Yes — deposits collected upfront consistently
- ☐ Sometimes — depends on the client or project
- ☐ Rarely or never — invoiced after completion → → *Timing signal: revenue lags behind expenses*

5. How long does it typically take for invoices to be paid after they're sent?

- ☐ Within 15 days consistently
- ☐ 30 days — variable → → *Timing signal: standard lag, manageable*
- ☐ 60+ days or unpredictably → → *Timing signal: receivables cycle creating cash gaps*

6. Are there months when your expenses are significantly higher than others — equipment, insurance, seasonal costs?

- ☐ No — costs are relatively consistent month to month
- ☐ Yes — a few months are notably heavier → → *Timing signal: lumpy expense structure*
- ☐ Yes — and I don't always have cash ready when they hit → → *Timing signal: planning gap around known costs*

Timing problems are real cash flow problems — but they're manageable once visible. If the timing pattern is creating the cash pressure, understanding it specifically is the first step toward planning around it rather than reacting to it.

Section 3: What Might Be Hidden in the Books

Some cash flow pressure isn't operational at all — it's bookkeeping. These questions look for common sources of a distorted financial picture.

7. Do you have an 'Undeposited Funds' account in QuickBooks — and do you know what's in it?

- ☐ Yes, and it's cleared and current
- ☐ Yes, but I'm not sure what's in it → → *Books signal: potential overstated income*
- ☐ I'm not sure if I have one → → *Books signal: worth checking immediately*

8. Have any business expenses been paid from personal accounts — credit cards, bank accounts — without being recorded in the books?

- ☐ No — all business expenses run through business accounts
- ☐ Occasionally — small items → → *Books signal: understated expenses, overstated profit*
- ☐ Regularly — it's a common practice → → *Books signal: P&L doesn't reflect true cost structure*

9. Are your loan payments recorded correctly — split between principal (balance sheet) and interest (expense)?

- ☐ Yes — confirmed by the bookkeeper or CPA
- ☐ I think so, but I haven't verified → → *Books signal: potential expense misstatement*
- ☐ No — payments recorded as a single expense → → *Books signal: overstated costs, distorted P&L*

10. Are there old invoices in accounts receivable that are unlikely to be collected?

- ☐ No — receivables are current and collectible
- ☐ Possibly — some old balances I haven't reviewed → → *Books signal: overstated assets*
- ☐ Yes — there are balances I know won't be collected → → *Books signal: receivables not reflecting reality*

If you answered anything other than the first option on two or more questions in Section 3, the books are likely contributing to the cash flow picture in ways that haven't been examined. This is where a books problem hides most reliably.

Section 4: What You Know Without Looking

These questions assess how connected you are to your own financial picture — and whether the picture you're carrying is based on the books or on instinct.

11. Can you state your current cash balance right now — confirmed against the reconciled books, not from memory?

- ☐ Yes — I know it and it matches the books
- ☐ I know roughly — from memory or the bank app → → *Visibility signal: managing from feel, not books*
- ☐ No — I'd have to look it up and I'm not sure it's accurate → → *Visibility signal: disconnected from financial picture*

12. Do you know what the business kept last month — net profit, not gross revenue?

- ☐ Yes — I reviewed the P&L and know the number
- ☐ Roughly — I have a sense but haven't confirmed it → → *Visibility signal: operating from impression*
- ☐ No — I know revenue but not net → → *Visibility signal: profit picture invisible*

Owners who manage from memory or feel rather than from confirmed books are carrying a picture that may or may not match reality. The cash flow problem they're experiencing may be real — or it may be an artifact of not having the right information to evaluate it correctly.

Section 5: How Long It's Felt This Way

13. How long has cash flow felt tight?

- ☐ Recently — this is new behavior for the business → → *Signal: something has changed; investigate specifically*
- ☐ A year or two → → *Signal: pattern has set in; worth examining what changed*
- ☐ As long as I can remember — it's always been this way → → *Signal: may have been normalized; most worth examining*

14. Has the business grown in revenue over the past two years while cash flow stayed tight or got tighter?

- ☐ No — revenue and cash flow have tracked together
- ☐ Yes — revenue grew but cash flow didn't improve → → *Signal: growth without cash improvement often points to books*
- ☐ Yes significantly — more revenue, same or worse cash → → *Signal: strong indicator of a books or cost structure problem*

Cash flow that has been tight for as long as the owner can remember — especially alongside revenue growth — is one of the clearest signals that something in the books deserves a closer look. Structural cash tightness is real, but it rarely persists unchanged through periods of revenue growth unless it's being driven by something other than the business's operations.

Reading Your Results

Mostly first-option answers across all five sections:

Your cash flow challenge is more likely operational than bookkeeping-related. The books appear to be giving you a reliable picture, and the tightness you're experiencing probably has a timing or structural explanation worth understanding — but the foundation is solid enough to diagnose it from. A conversation with your bookkeeper or CPA about the timing pattern is the right next step.

Mixed answers — some first-option, some second or third:

There's enough uncertainty in the books to make it hard to know whether the cash flow problem is real or partially a picture problem. Getting the books current and fully reconciled before drawing conclusions about cash flow is the most useful thing you can do. The picture may confirm the problem — or it may reveal that the problem is smaller or different than it appears.

Mostly second or third options, especially in Sections 1 and 3:

The books are likely contributing to the cash flow picture in ways that haven't been examined. The tightness may be real — but it's being read through an unreliable lens. Getting the foundation solid is the priority. Until the books accurately reflect the business, the cash flow problem can't be correctly identified or addressed.

If You Want to Talk Through What You Found

A Clarity Call is a calm, no-pressure place to work through what this diagnostic surfaced — whether the picture is a books problem, a timing problem, or something else worth understanding. We'll look at what's there and talk through what the next step involves.

Schedule one at calendly.com/jim-primeentrybookkeeping.

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