

WATCH THE VIDEO ABOUT CASH FLOW



Complete the text with the appropriate words or phrases.

Cash flow refers to the movement of cash (1) _____ or (2) _____ an account, a business or an investment.

When cash (3) _____ exceed (4) _____ this is generally considered to be a sign of good (5) _____ both for individuals and companies. Ed makes his living running “Ed’s Carpets”. For Ed cash flow is essential to the (6) _____ of his business as well as his personal finances. Having (7) _____ cash (8) _____ ensures that Ed can pay his employees, his creditors and himself on time. (9) _____ the same goes for Ed – he needs enough cash in his personal bank account to pay for his house, his car and other personal expenses. Whether we are talking about Ed or his business, there are generally 3 types of cash flows:

- a) (10) _____ – refer to cash received or spent as a result of a company’s business activities. E.g. Ed’s carpets brings in cash by selling carpets and sends cash out to pay employees and suppliers. Similarly Ed pays himself a salary providing his cash flow to his (11) _____. Cash will flow out to pay for his expenses, such as food and housing.
- b) (12) _____ – refer to cash received or spent through investing activities. Basically, the purchasing and (13) _____ that will help grow the business. Or in the case of Ed, assets that will help increase his (14) _____.
- c) (15) _____ – refers to cash received through debt or paid out as debt repayments. For a company issuing stock paid out debt and repurchasing shares would count as part of financing cash flows. For Ed financing cash flows include any cash coming from (16) _____ or other types of debt as well as payments going to pay out debts. If Ed’s business (17) _____, he’s unable to pay his (18) _____ – he will experience a (19) “_____”. To avoid (20) _____ Ed will have to raise some type of financing or (21) _____. A similar situation in Ed’s personal accounts would also have disastrous effects that could lead to (22) _____ if the cash flow crunch persisted. For this reason, it is important that businesses and individuals manage their cash flow carefully and set aside (23) _____ to (24) _____ any unexpected events.

Find the words in the text to match the following definitions:

More than enough - _____

To make the effect or force of something softer - _____

Having enough money to pay what you owe - _____

Not to have enough - _____

A short-term loan that is used until a person or company secures permanent financing or removes an existing obligation - _____

The amount by which assets exceed liabilities - _____

When businesses run out of cash - _____