

9.6: Introduction to Budgeting and Cash Flow

What you'll learn to do: Explain the purpose and logistics of budgeting and cash flow

The budgeting process helps retailers balance expenditures with incoming revenue.

As you have read previously, retailers manage a host of operational expenses like: rent, utilities, labor, and inventory costs. And, while the sale of products does provide income, the timing of the transactions means that retail managers may be awaiting revenue to pay off past purchases or to make new ones. Thus, there is a need to coordinate purchases and payments—cash flow. This can be especially complex, when considering start-up or seasonal businesses.

Cash flow refers to the total amount of money being transferred into or out of a business at a given moment of time. Businesses seek to generate long-term positive cash flow.

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