Cash in the Bank Is Not the Same as Cash You Can Use

A healthy bank balance can be misleading. Learn why some of your business cash is already committed and how understanding your available cash can help you make better decisions.

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It is a confusing moment many owners know well. The bank balance looks healthy, yet there never seems to be money free when you need it. The two facts feel like they should not both be true. Understanding why they are is one of the most useful things an owner can learn.

Money That Is Already Spoken For

Not all the cash in your account is yours to use. Some of it belongs to suppliers you have not paid yet. Some is owed to the tax authority. Some is a deposit from a customer for work you still have to do. The balance on the screen is a snapshot, and a large part of it is often already committed to someone else. Spending it as if it were free is how businesses get caught short.

Cash Tied Up Where You Cannot Reach It

Then there is the money you cannot see because it is locked inside the business. Stock sitting on the shelf is cash you have spent but not yet recovered. Invoices your customers have not paid are earnings you cannot touch until they arrive. A business can be profitable on paper and still struggle for cash, simply because too much of it is tied up in stock and unpaid invoices.

Know Your Free Cash

The number that matter is not the bank balance. It is how much cash you can genuinely use once your account for what is owed and what is committed. Owners who track this clearly make calmer, better decisions. They know when they can invest, when to hold back, and when a shortfall is coming while there is still time to act. Those who watch only the bank balance are often surprised, and rarely in a good way.

Getting a clear view of this is not difficult, but it does take the right information and a little discipline. It is one of the fastest ways to feel more in control of the business.

If your bank balance and your cash flow never seem to agree, a clearer view will help. Talk to us about understanding the cash you can actually use.