Daily Cash Position

Cash position is a basis of the treasury micromanagement and the starting point of the corresponding routine described in Chapter 16. On a conceptual level, just like cash projection, it has a dual implication—on one hand, it’s an evaluation process (the collection of data), and on the other, it’s the delivery of information (the resulting report as a decision tool). As integral parts of the same task, they influence each other and must be designed together. In other words, you cannot create a step-by-step procedure for cash position assessment without deciding on the presentation format.

Developing this task, I always found the method of logical deduction to produce the best results—you start by envisioning the instrument that would consistently facilitate effective monetary judgment calls and then unspool the process of arriving at that desired outcome. This approach basically comes down to answering the following questions in this particular order:

1. What is the scope of daily treasury decisions? What are the actions that need to be taken to satisfy the cash management goals?

2. What kind of knowledge is mandatory to make these decisions? What are the crucial items of data required to accomplish this task?

3. What kind of presentation format will allow the most efficient utilization of this information in the decision-making process?
4. Who will be responsible for compiling the end report?

5. What are the timeframe restrictions to finalize all daily treasury tasks? This condition also dictates the deadlines for the position assessment and report(s) delivery.

6. Where does the necessary data come from? What are the original sources of the information?

7. How will the information be collected?

8. Who will be responsible for gathering each of the informational elements?

The answers to these questions will lay the foundation for designing your cash position task structure. Of course, the variations will be as plentiful as the number of companies out there. A multitude of business nuances can influence both the way the position is determined and the configuration of the report(s) you want to see before making your treasury decisions.

Unlike the dynamic cash flow projection with its approximation of the future outlook, cash position is a static report of present reality—a snapshot of right now. And like any photograph, depending on the subject matter, it could be as simple as a passport photo or as complex as Diane Arbus’s creative insights.

There are successful companies with the simplest cash management setups: one checking account, one currency, one type of collections from customers with the same sales terms, and all payables paid by checks. Such a company may not need a cash position report at all. The entire treasury routine consists of few elementary steps:

1. Get the previous day’s bank balance.

2. See if any customers’ receipts are being deposited.

3. Schedule a check disbursement run based on the total availability of cash.

On the other hand, there are companies with complications at all stages of cash management: several currencies with foreign exchange exposure, multiple sources of daily inflows, spontaneous disbursements, and decisions with significant business impact every step of the way. For businesses like that, the aggregation of information on the status of various accounts in the banks around the world is a task of its own.

Moreover, the more difficult the cash matters, the more sensitive they are to the time factor. The United States is behind the rest of the world in time—