Fisheries Economy

Prof. Dr. Hasan Hüseyin ATAR
Prof. Dr. Nilsun DEMİR

Managing Cash Flow

- Cash flow problems result in more aquaculture businesses' failure than any other problems. Managing cash flow adequately and properly can make a difference between the success and failure of a business. Liquidity is a financial concept that is linked closely with cash flow. It refers to whether the business will have the cash when needed to make its payments. Cash flow is a strong measure of liquidity.

- A balance sheet can provide some limited indication of liquidity in the farm business through calculating the current ratio and level of working capital. However, the balance sheet summarizes the values of all current assets and liabilities over the course of the year. If loan payments are due in the early part of the year but fish are not sold until later in the year, there will be a liquidity problem that will not be evident from the balance sheet.

- An analysis that accounts explicitly for the timing of receipt of cash and the expected payments is needed. It is compared profitability with liquidity, identifies common types of cash flow problems in aquaculture, discusses the use of cash flow statements and budgets to manage cash flow, and outlines the need for record-keeping.

LIQUIDITY

- Farms that are profitable and viable businesses can also have occasional cash flow problems. Adequate liquidity is essential to an aquaculture business because it is used as a source of cash to meet demands for cash payment, as a safety margin for adverse financial conditions, and as a source of capital for investment in other alternatives.

- It measures the capacity of the business to produce enough cash to make financial payments when they are due. Positive cash flow is necessary to meet operating expenses and to meet the cash needs of the farmer and his or her family.