INTRODUCTION

More than any other vital sign, cash liquidity determines the longevity and financial health for companies. After all, cash gives companies options. With a strong cash position, companies can control how they respond to opportunities and challenges. You own your destiny.
In a recent [global treasury survey from PwC](https://www.pwc.com/gx/en/financial-services/services/treasury-services.html), the majority of respondents surveyed confirmed the importance of having a strong handle on cash and liquidity management, naming it as a high priority for not only treasurers, but for CFOs as well.

## CASH AND LIQUIDITY MANAGEMENT CONTINUES TO BE A HIGH PRIORITY FOR CFOs

**Top treasury priorities for CFOs**  
Q: What treasury topics are a priority for the CFO of your organization?

1. Funding/capital structure  
2. Cash and liquidity management  
3. Relationship with the business  
4. Mergers and acquisitions  
5. Technology and digital innovation  
6. Fraud risk and cybersecurity  
7. Talent management  
8. Tax implications

**Top priorities for treasurers**  
Q: What treasury topics are a priority for the treasurer of your organization?

1. Cash and liquidity management  
2. Funding/capital structure  
3. Financial risk  
4. Banking management  
5. Technology and digital innovation  
6. Working capital  
7. Fraud risk and cybersecurity  
8. Relationship with the business

Cash and liquidity management entails a multitude of tasks, including cash positioning, cash forecasting, reconciliation, in-house banking, generating journal entries for bank transactions, posting transactions to the general ledger and reconciling bank transactions to accounting entries.

*Source: PwC, “Responding to demands to optimize cash,” 2021*
However, many companies often lack confidence in their projections and struggle to manage cash. In a survey by APQC (American Productivity & Quality Center), only 43 percent of the respondents surveyed believed they had achieved cash forecasting accuracy of 75% or higher.

### CASH FORECASTING

<table>
<thead>
<tr>
<th>Accuracy Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 90%</td>
<td>6%</td>
</tr>
<tr>
<td>75% to 90%</td>
<td>37%</td>
</tr>
<tr>
<td>50% to 74%</td>
<td>40%</td>
</tr>
<tr>
<td>25% to 49%</td>
<td>16%</td>
</tr>
<tr>
<td>Less than 25%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Only 43 percent of survey respondents have archived typical cash flow forecasting accuracy of 75 percent or higher: most are at least 50 percent accurate. Inaccuracies in cash flow forecasting could lead to delayed payments and impaired relationships with suppliers and other adverse consequences.

*Source: “Delivering Treasury Success in the Next Normal”, APQC, September 2020*

In an effort to improve forecasting, companies are seeking cutting-edge cash and liquidity management solutions. They want a holistic, real-time view of their cash data and tools to help them accurately predict their cash liquidity. With accurate predictions, companies can take timely and data-driven actions with customers, suppliers, investments, or internal transfers to optimize their working capital.
The benefits of predictive cash forecasting

Continuously predicting future cash liquidity allows companies to make profitable moves or course correct more quickly. For example, when there is excess cash, they can take advantage of early payment discounts with suppliers, or on the other hand, when cash is tight, reassess loan positions or trigger foreign exchange transfers between subsidiaries to help maintain healthy liquidity.

WHEN YOU HAVE UP-TO-THE-MINUTE CASH BALANCES AND AN INFORMED VIEW INTO THE FUTURE, YOU CAN:

- **Sustain your business** and withstand financial challenges from environmental, market, regulatory, social, and financial forces.

- **Reinvest in the business**, such as building out a new channel or making capital investments.

- **Meet cash requirements** like payroll, distributions and dividends, or debt and obligation payments.

- **Attract investors** to fund future business activities and growth.

- **Meet your fiduciary responsibilities** to suppliers, creditors/lenders, shareholders, and employees by paying on time.
Best practices for predictive cash forecasting

Predictive cash forecasting is often hindered by disconnected business processes and siloed data, within and outside an organization. Netting cashflows and creating cash balance predictions is a time-consuming, manual process, prone to error. It is also less inspiring work for your employees, holding them back from reaching their full potential of developing new strategies and taking actions to improve performance, rather than just compiling and pouring over data.

WOULDN’T IT BE GREAT IF YOUR COMPANY COULD GAIN NEW COMPETITIVE ADVANTAGES BY:

1. Automatically compile cashflows and external data like bank balances, investment performance, and loan obligations, in real time?

2. Continuously predict future liquidity using patterns identified through machine learning, complementing human judgement to mitigate shortfall and optimize cash?

3. Anticipate and take coordinated action to adjust operational, financing and investment decisions?
The challenges to accurately predicting cash flows

Timing and intelligence are everything in this context. Access to real-time cash data helps drive faster responses. When cash data is hard to get, compromised, or too voluminous to handle, your ability to accurately predict cash flows suffers. Once you have the data, you need machine intelligence to identify patterns that are not easily visible to humans and are not affected by our biases. Does your company face these challenges with accurate cash forecasting?

- **Disconnected cash management** processes and siloed data that produce inconsistent data and delays to forecasting
- **Spreadsheet-based forecasts** compiled monthly that are outdated by the time they’re produced
- **Increasing banking fees that are hard to control.** Lack of real-time access to critical bank data
- **Out-dated tools** that impact your ability to mitigate shortfalls or optimize your cash position, such as changing your collections strategy or taking supplier discounts to maximize negotiated savings
- **Undue dependence** on a few individuals with tribal knowledge related to cash management

How Oracle can help

Predictive cash forecasting capabilities within Oracle Cloud Applications allow finance and treasury to automate cash management and forecasting in real-time, while continuously predicting future liquidity using machine learning. Automate all relevant data streams to reduce manual effort, and empower stakeholders to collaborate towards the optimization of cash. Automated insights and dashboards will keep stakeholders up-to-date and aligned on the most recent developments in cash. Machine learning on transactional details improves accuracy and speed while also uncovering hidden patterns and key drivers of working capital. Users can go from insight to action by enabling key activities to effectively manage cash surplus, mitigate cash shortfalls, and better manage banking relationships.
PREDICTIVE CASH FORECASTING INCLUDES THESE KEY COMPONENTS

Automated cash management
Automate the collection of all relevant data streams in one place, such as cash, accounts receivable, accounts payable, and external bank data. Accurately forecasting cash is often hindered by disconnected business processes and siloed data. Predictive cash forecasting capabilities give you a comprehensive view into your cash position at all times, with data you can trust, offering the ability to drill down into any specific transaction.

Advanced cash forecasting
Leverage predictive algorithms to automatically generate a daily cash forecast, thereby improving the speed and accuracy of your cash forecasts. Today, most companies use Excel spreadsheets and are only able to forecast once a month. Now, armed with data-driven insights and the faster discovery of trends and problems, treasury and finance can collaborate more effectively with the business for better decisions on how to optimize cash.

Collaborative action
With predictive cash forecasting, leaders from across the company can utilize cash projections in their operational and strategic activities. The cash forecast data can flow directly to production planning systems. So for example, a company could choose to run additional shifts to utilize available cash to support additional customer demand. Now, teams can spend more time collaboratively executing a strategy instead of just finding, gathering, and manually analyzing data.
Getting started

To learn more about automating treasury and cash management, we invite you to contact us via chat, phone or email.