



Why Profit Doesn't Mean Cash — and What to Do About It

A cheat sheet every contractor should stick on their wall.

3 Common Contractor Cash Traps

1. Paying for materials and labour weeks before the client pays you.
2. Relying on your bank balance to judge profitability.
3. Doing extra work (change orders) but forgetting to invoice promptly.

Profit ≠ Cash (And Here's Why)

You might be 'profitable' on paper because you've invoiced \$100,000 worth of work. But if you've only collected \$20,000 and already spent \$50,000 in materials and wages, you're actually short on cash. Accrual accounting shows what you've earned — and what you're owed.

Nathan's Rule of 3

For every project, track these 3 numbers each week:

- What's been billed?
- What's been collected?
- What's been spent?


This simple practice alone can prevent 90% of cash flow surprises.

Your Monthly WIP Snapshot

Take 10 minutes each month to jot down:

- Projects in progress
- Amount invoiced to date
- % complete

This helps you assess profitability more accurately than your bank balance ever could.

 Want help making sense of your numbers? We specialize in helping contracting businesses like yours move to accrual accounting — with clarity, confidence, and less stress.
