

Completing a CASH FLOW

The cash flow is an important first step in preparing your entire financial forecast. Most of the data collected here is used on Balance Sheet and Income Statement forecasts also.

The key thing to remember is that you are not trying to determine a profit or loss.

You are trying to predict the timing of cash in or out of your bank account.

Do the cash flow for 12 consecutive months.

REMEMBER, if you need any assistance while completing this form, the Community Futures staff would be happy to assist you.

WHY DO A CASH FLOW?

Putting the cash flow on paper will give you:

- A format for planning the most effective use of your cash.
- A schedule of anticipated cash receipts (Cash In).
- A schedule for the payment of accounts (Cash Out).
- A way to measure the significance of unexpected changes, for example: reduction in sales, strikes, tight money situations, equipment breakdown, etc.
- An estimate of the amount of money you need to borrow in order to finance your day-to-day operations. This is perhaps one of the most important functions of a cash flow statement.
- An outline to show you, and the lender, that you have sufficient cash to make loan payments (if you are planning to borrow money), or demonstrate your need for a Line of Credit.

STEP 1: CASH IN

CASH SALES

List the anticipated cash you expect to receive from the sale of your product/service. If you have more than one type of sales (ie: Cedar Shakes, Cedar Blocks and Silviculture), then list each on a separate line. If all your sales are similar (ie: retail), then list them as one lump sum. For simplicity, do not include the taxes, GST and PST in your sales figures.

ACCOUNTS RECEIVABLE

If you will be dealing with customers that pay in partial payments or at a date later than when the products or services were provided, be sure to report this 'cash in' item in the month which you expect to be receive the cash, not the month the product/service was rendered.

PERSONAL INVESTMENT or LOAN

If you investing personal money into the business, record this in the month that it will be transferred into the company. If you are receiving a loan, record the total amount of the loan in the month you receive the money.

STEP 2: EXPENSES

OWNERS DRAWINGS

This is the amount of money that you will be taking out of the business. Before entering this amount, fill out the *'Personal Expenses Sheet'* - this will tell you the minimum amount of money that you need to live on. Your Owners Drawings should be enough to cover this amount.

LOAN PAYMENTS

If you are taking a loan, record the amount of the payments per month, in the month that the payment starts.

LUMP SUM PAYMENTS

Don't "spread" costs evenly over the year (unless they will occur evenly over the year). For example, if insurance costs \$1,200 per year and is payable in May, put the whole \$1,200 in May. Don't put \$100 in each month.

Refer to the *'Expenses You Should Consider'* Sheet and be sure to include any expenses on your cash flow that your business may incur. Remember if you have not included GST and PST taxes in the Sales figures do not include these taxes in the expenses.

STEP 3: RECONCILIATION

Finally, calculate the monthly cash position for your business as a result of your forecast Income and Expenditures.

Your first month's Opening Cash Balance is 0. Enter "Total Cash In" for the month in the "Add: Cash In" box. Enter "Total Cash Out" for the month in the "Deduct: Cash Out" box. The Closing Cash Balance = Opening Balance + Cash In - Cash Out. The Closing Cash Balance will give you a financial picture for that month. This closing cash balance amount is moved up to the Opening Cash Balance spot in the next month. When you add the rows left to right - this will tell you how much that one item will amount to over the allotted time period.

	NOV	DEC	JAN	FEB	MAR	APR	TOTAL
Opening Cash Balance	0	\$ 58	\$114	\$ 22	(\$ 32)	\$ 29	
Add: Cash In	\$100	\$130	\$ 80	\$100	\$186	\$200	\$796
Deduct: Cash Out	\$ 42	\$ 74	\$172	\$154	\$125	\$150	\$717
Ending Cash Balance	\$ 58	\$114	\$ 22	(\$32)	\$ 29	\$ 79	\$ 79

STEP 4: ASSUMPTIONS

Be sure to include a verbal description of how you derived your revenues and expenses. For example, your cash flow will show a monthly wage total. You will want to list the number of people that are included in that total with their individual salaries or number of hours they will work.

EXPENSES YOU SHOULD CONSIDER

The following is a checklist of the expenses that your business MAY experience. Include what is relevant to your business in your Cash Flow forecasts.

This checklist may not include all the expenses that your business may incur. **THINK CAREFULLY** about all the ways your business will spend money and be sure to add any expenses that are missing.

- GOODS BOUGHT FOR RESALE of COGS
- OWNERS DRAWINGS
- EMPLOYEE WAGES (full-time, part-time, casual)
- BENEFITS (including WCB, UIC, CPP, Holiday pay if applicable)
- RENT (or mortgage payment)
- UTILITIES (heat, water, hydro, garbage if applicable)
- TELEPHONE AND FAX (include cell phone, website, internet charges)
- AUTOMOTIVE (insurance, gas and maintenance, lease payments)
- LICENSES (business and other licenses)
- REPAIRS AND MAINTENANCE (equipment, technology upgrades)
- INSURANCE (business, liability, property, business interruption)
- BANK CHARGES (monthly service fees, debit machines, credit card charges)
- LOAN PAYMENTS (Principal and Interest, can be listed separately or as a blended amount)
- ADVERTISING
- OFFICE AND STORE SUPPLIES (This does not include goods for resale)
- FREIGHT, POSTAGE, COURIER, PACKAGING
- ACCOUNTING AND LEGAL FEES
- TRAVEL AND ENTERTAINMENT
- FRANCHISE FEES
- COMMISSIONS
- EDUCATION AND TRAINING EXPENSES (Including courses, seminars)
- INCOME TAX INSTALMENTS
- DONATIONS
- MISCELLANEOUS OR CONTINGENCY

NOTE: IF you include GST and PST with the Sales figures, include the taxes paid in the Expenses.
However, most cash flows not include GST or PST.

PERSONAL HOUSEHOLD BUDGET

This will help to assess the minimum income needed to support your family and lifestyle. Do not include expenses that the business will cover (eg. truck lease, phone, etc.)

INCOME

		%
		(Divide by Total Income)
Your Monthly Income.....	\$ _____	_____
Income from all other sources	\$ _____	_____
(include spouse, child tax credit	\$ _____	_____
maintenance payments, etc.)	\$ _____	_____
TOTAL HOUSEHOLD INCOME	\$ _____	100%

MONTHLY BILLS

		%
		(Divide by Total Income)
Rent / Mortgage Payment.....	\$ _____	_____
Food	\$ _____	_____
Telephone	\$ _____	_____
Heat/Hydro	\$ _____	_____
Car Expense (including gas, repairs		
(insurance, if paid monthly, etc.)	\$ _____	_____
Clothing	\$ _____	_____
Entertainment	\$ _____	_____
Medical	\$ _____	_____
Credit Card Payments	\$ _____	_____
Deduction and Payments		
(Family maintenance, etc.)	\$ _____	_____
Miscellaneous (any other bills)	\$ _____	_____
	\$ _____	_____
	\$ _____	_____

YEARLY BILLS (Divide by 12 for Monthly Amount)

House Insurance	\$ _____	_____
Car Insurance	\$ _____	_____
Life Insurance.....	\$ _____	_____
Taxes	\$ _____	_____
Other	\$ _____	_____
TOTAL MONTHLY EXPENSES	\$ _____	_____

CASH OVER (SHORT)

\$ _____
 (Total Household Income) – (Total Monthly Expenses)