**Cash Flow Forecasts**

**and**

**Planning a Business Strategy**

**Cash Flow Forecasts**

**Along with the Business Plan, financial institutions also need evidence of financial planning for the future. This is done in the form of a Cash Flow Forecast.**

Cash Flow Forecasts are financial plans showing all the cash receipts and cash payments in a business over a period of time (similar to a budget for a household)

**Reasons for preparing them:**

* To project future receipts
* To project future payments
* Identify monthly surplus/deficits
* Identify times of needing to borrow/invest
* Assist in applying for a loan from the bank

**What can a business do if it has cashflow problems?- This may form part of the advice you may give a business in a question if it is struggling**

**Increase Income-** look for ways to increase sales, sell off slow moving stock, increase finance, increase prices

**Reduce payments-** Cut back on non essential costs, improve credit control, buy from cheaper suppliers, reduce staff

**Rules**

1. ***Receipts – Payments = Net Cash***
2. ***Net Cash + Opening Cash = Closing Cash***
3. ***This month’s Closing Cash is next month’s Opening Cash***
4. ***Month 1’s Opening Cash is the same as Total’s Opening Cash***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Month** | **Jan** | **Feb** | **March** | **April** | **Total** |
| **Receipts** | **10,000** | **15,000** | **14,000** | **12,000** |  |
| **Payments** | **8,000** | **7,000** | **16,000** | **10,000** |  |
| **Net Cash** |  |  |  |  |  |
| **Opening Cash** | **500** |  |  |  |  |
| **Closing Cash** |  |  |  |  |  |

**Planning a Business Strategy**

**Just as individuals have goals and plans for the future, so do businesses. By making plans, a business can establish clear goals and how they are going to achieve them.**

**Effective Plans are SMART:**

**S**pecific

**M**easurable

**A**greed

**R**ealistic

**T**iming

***Example of SMART PLANNING: Coca-Cola*** 

**Specific**

There are very clear and specific aims. Everybody understands exactly where the business is going and there is no confusion in the direction the business is headed.

Example: To be the market leader in soft drink distribution in Ireland for Coca-Cola is a specific aim.

**Measurable**

The target set can be evaluated- are we successful or not. In the business world you cannot afford to be making losses so you need to have measurable plans in place.

Example: Coca Cola examine statistics against the industry average to analyse business performance.

**Agreeable**

All members of staff support the plan and so everybody involved is moving in the same direction. Performance Appraisal for hitting targets will help support this.

Example: Coca- Cola outlines their targets to staff at the beginning of the year.

**Realistic**

Objectives and targets that are too difficult to reach can de-motivate your staff if there is only a small chance that you can be successful.

Example: Coca-Cola asks their sales team to try and get 10 new clients in Ireland to sell their products in each county over the next month, rather than 100.

**Timing**

Setting a clear time frame for achieving your goals are important. Plans should not be open ended as this can cause delays for decisions.

**The Business Plan**

The Business Plan is a written document made by a business when seeking finance from a financial institution.

Below are some of the key headings in a Business Plan

