

Cash Flow Forecasts and Business Finance: Rapid Revision

Q.1 (i) Fill in the missing figures for the Cash Flow Forecast below and show your workings.

Cash flow forecast for Intenso Ltd, for the 3 rd quarter of 2017				
	July (€)	August (€)	September (€)	Total (€)
Total Receipts	20,000	A = 25,000	12,000	57,000
Total Payments	14,000	17,000	15,000	46,000
Net Cash	6,000	8,000	B = (3,000)	C = 11,000
Opening Cash	5,000	11,000	19,000	D = 5,000
Closing Cash	11,000	19,000	16,000	E = 16,000

Workings

$$B = 12,000 - 15,000 = (3,000)$$

$$C = 57,000 - 46,000 = 11,000$$

(ii) Give two reasons why Intenso would prepare a cash flow forecast.

- To identify times of surplus/deficit
 - To identify times when high expenditure is needed
- Set targets - measure projections & performance
 - Acts as financial control mechanism - Don't overspend
 - Avoids cash flow problems
 - Help in applying for loan/finance

2. (i) Fill in the missing figures for the Cash Flow Forecast below and show your workings.

Cash Flow Forecast for Amrod Ltd for the 4 th Quarter of 2015				
2015	October €	November €	December €	Total €
Total Receipts	70,000	180,000	90,000	340,000
Total Payments	100,000	165,000	120,000	385,000
Net Cash	(30,000)	15,000	B	(45,000)
Opening Cash	20,000	A	5,000	C
Closing Cash	(10,000)	5,000	(25,000)	(25,000)

Workings

$$A = (10,000)$$

$$B = 90,000 - 120,000 = (30,000)$$

$$C = 20,000$$

(ii) Give two pieces of advice based on the above Cash Flow Forecast.

<p>1. Avail of short term finance....</p> <p>• Adjust Receipts... es. lower price to sell more</p> <p>2. Adjust payments... eg. cut costs es. wages</p> <p>• Sell off an Asset no longer needed...</p>
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3. List four factors that need to be considered before choosing a source of finance.

1. Purpose of finance
2. Cost of finance
3. Will collateral be needed
4. Impact on ownership/control size/type of business

4. Match the following sources of finance to their correct definitions.

1. Trade Credit	A. This is a medium-term source of finance, it is paying for an asset in installments and you only own it after the last installment has been paid.
2. Accrued Expenses	B. This is short term finance, it is permission from the bank to go over your limit, you must be aware of interest, it can be used to pay staff wages.
3. Bank Overdraft	C. This is a long-term source of finance, it impacts on ownership and is raising finance through investment, can be used for expansion,
4. Leasing	D. This is a short-term source of finance, it is the delaying of payments until the last moment, it is used for bills/utilities.
5. Medium Term Loan	E. This is a long-term finance option, it must be repaid with interest, no effect on ownership but collateral may be needed, can be used for expansion.
6. Hire Purchase	F. This is a non-repayable long term source of finance, given by bodies such as Enterprise Ireland to help a business export into new markets.
7. Debt Capital	G. This is a long-term loan to buy a house.
8. Equity Capital	H. This is a short-term finance used for stock, it is buy now, pay later.
9. Mortgage	I. This is a medium-term source of finance, it is paying for an asset over a 1-5-year period, you get this from the bank, can be used to purchase a new printer, car etc...
10. Grant	J. This is a medium-term source of finance, it is like renting, you never get to own the asset, can lease cars etc...

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
H	D	B	S	I	A	E	C	G	F