



## Cash Flow Forecasting

What is meant by the term cash flow forecasting?

Explain the ways in which an organization can solve a cash flow problem?

Bee has produced the following cash flow forecast.

	Jan	Feb	Mar	Apr	May	Jun
<b>Opening Balance</b>	200	4200	1000	-1800	-3400	-4200
<b>Inflows</b>						
Cash Sales	500	1000	1500	3000	3500	3000
Credit Sales	2000	2500	2500	5000	3000	2000
Owners Investment	10000	0	0	0	0	0
<b>Total Inflows</b>	12500	3500	4000	8000	6500	5000
<b>Outflows</b>						
Cost of Sales	500	700	800	1600	1300	1000
Rent	2000	2000	2000	2000	2000	2000
Wages	4000	4000	4000	4000	4000	4000
Utilities	2000	0	0	2000	0	0
<b>Total Outflows</b>	8500	6700	6800	9600	7300	7000
<b>Net Monthly</b>	4000	-3200	-2800	-1600	-800	-2000
<b>Closing Balance</b>	4200	1000	-1800	-3400	-4200	-6200

Bee is concerned about the cash flow position of the business and has decided to take some action.

However Bee is not sure how these will impact on the cash flow of the business if she:

- Offers customers from April onwards 1 months credit on all credit sales
- Arranges 2 months credit from suppliers starting from April

Complete the revised cash flow forecast for Bee below;





	Jan	Feb	Mar	Apr	May	Jun
<b>Opening Balance</b>	200	4200	1000	-1800		
<b>Inflows</b>						
Cash Sales	500	1000	1500	3000	3500	3000
Credit Sales	2000	2500	2500			
Owners Investment	10000	0	0	0	0	0
<b>Total Inflows</b>	12500	3500	4000			
<b>Outflows</b>						
Cost of Sales	500	700	800			
Rent	2000	2000	2000	2000	2000	2000
Wages	4000	4000	4000	4000	4000	4000
Utilities	2000	0	0	2000	0	0
<b>Total Outflows</b>	8500	6700	6800			
<b>Net Monthly</b>	4000	-3200	-2800			
<b>Closing Balance</b>	4200	1000	-1800			

