



# Preparing your cash flow forecast?

## A cash flow forecast is the most important indicator to highlight any shortfall in cash balances for your business.

The forecast will help you see where money might be tight so you can plan in advance.

The worst scenario is running out of money without realising it was going to happen.

Keep in mind the following advice when completing your forecast in order to generate the most accurate projection.



## When preparing your cash flow remember:

- A good cash flow is not just a spreadsheet of numbers, it's the document that people examining your business will spend the most time reading. As you complete the forecast, note the assumptions you're basing the figures on. This will show anyone reading how you arrived at these figures.
- Your forecast for the business must reflect a realistic balance between sale projections and accurate costing and pricing for your goods and services. You should outline exactly how you came to the sales figures for each month, taking into account any seasonal trends.
- Once you've outlined the sales for each month you'll be able to estimate your costs. You'll need to explain in detail how you calculated these amounts. You can be certain about some costs (for example, you will know what your rent is), and some will be estimates (i.e. utilities and telephone charges)
- Always be mindful on your income figures. Only put a monthly income figure if you are likely to reach that target.
- If you can, find out your industry information such as average net profit and gross amounts. If you differ from the average, an explanation may be required.

## TOP TIPS

Run all figures past your accountant before showing your cash flow to people outside your business.

Take into account that not every invoice gets paid on time. You might decide that 80% of payments come in on time, 10% a month late and 10% two months late.

Budget for surprises, there are always those unforeseen costs that present themselves.

Keep an eye on the economy, you never know how this might affect your income and cost of expenses.

## Need assistance?

Speak to one of our expert advisors on: **01536 52 96 96**  
or contact **info@performancefinance.co.uk**

