



# CASHFLOW FORECAST

15 THINGS YOU NEED TO KNOW.

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# Cashflow Forecast

Creating a cash flow forecast is a vital financial tool for individuals and businesses alike. It helps in planning and managing cash flow effectively, enabling you to anticipate and navigate potential cash shortages or surpluses. Here's a step-by-step guide to help you write a comprehensive cash flow forecast:

## Gather Historical Data:

Begin by collecting historical cash flow data for the past few months or years. This data will serve as a reference point for your projections and will help you identify patterns and seasonal trends.

## Set the Forecast Period:

Determine the period you want to forecast. Typically, a cash flow forecast covers a 12-month period, but you may choose a shorter or longer timeframe based on your needs.

## Estimate Sales Revenue:

Start with forecasting your sales revenue. Consider factors such as market conditions, past sales data, expected changes in demand, and any marketing initiatives that could impact sales.

## Predict Cash Collections:

Based on your sales forecast, estimate the timing of cash collections. Consider the credit terms you offer to customers and how long it takes for them to pay you.



# Cashflow Forecast

## Forecast Operating Expenses:

Make a list of all your expected expenses, including rent, utilities, salaries, raw materials, and any other costs relevant to your operations. Use historical data as a basis and account for potential changes or cost-saving measures.

## Account for Non-Cash Expenses:

Some expenses, like depreciation and amortisation, don't involve cash outflows. Make sure to include them in your forecast for accuracy.

## Anticipate One-Time Expenses and Income:

Be aware of any extraordinary expenses or income that may occur during the forecast period, such as equipment purchases or one-time payments from a client.

## Project Capital Expenditures:

If your business involves significant investments in assets or equipment, include these capital expenditures in your forecast. These expenses impact cash flow, but their effects are usually spread over time due to depreciation.

## Consider Inventory and Accounts Payable:

For a business to manage its financial position effectively, it must pay close attention to the levels of accounts payable and inventory on its balance sheet. Making sure that you pay suppliers on time could help you to acquire supplier credit to purchase additional inventory. Keeping track of inventory turnover ensures that the business does not run into a credit crisis.

## Factor in Financing Activities:

If you plan to take on debt or seek additional funding, include these financing activities in your forecast. Likewise, consider any planned repayments of loans or credit lines.



# Cashflow Forecast

## Evaluate Cash Reserves:

Account for your current cash reserves and how they will be affected by the forecasted cash flows. It's crucial to have a buffer in case of unexpected events.

## Create a Cash Flow Projection:

Now that you have estimated all the cash inflows and outflows, put them together to create a cash flow projection for each month of the forecast period. Use a spreadsheet or specialised accounting software to organise the data.

## Review and Adjust:

Analyse the projected cash flow to identify any potential issues or opportunities. Adjust your assumptions as necessary to make the forecast as realistic as possible.

## Monitor and Update Regularly:

A cash flow forecast is a living document that requires regular monitoring and updating. Compare actual cash flows to your forecast periodically, identify any deviations, and adjust your future projections accordingly.

## Scenario Planning:

Consider creating different scenarios based on best-case, worst-case, and most-likely scenarios. This approach will help you be better prepared for unforeseen circumstances.

Remember that a cash flow forecast is only as good as the accuracy of the assumptions you make. It's essential to be realistic and conservative with your estimates to ensure that your forecast serves as a reliable financial planning tool

Please see below a template for a cashflow forecast. You can download an editable version of this [HERE](#)



[illegible][illegible]

# Understanding your cashflow forecast

	Period 1	Period 2	Period 3	Period 4
<b>STARTING BALANCE</b>	£0.00	£ 1,771.00	-£ 826.00	£ 1,982.00
<b>Money in</b>				
Sales	£ 7,390.00	£ 5,350.00	£ 12,550.00	£ 15,070.00
Money from loans				
Owner's contribution				
Refunds				
Grants				
Other				
<b>TOTAL IN</b>	£ 7,390.00	£ 5,350.00	£ 12,550.00	£ 15,070.00
<b>Money out</b>				
Advertising & marketing	-£ 375.00	-£ 425.00	-£ 520.00	-£ 800.00
Bank fees	-£ 15.00	-£ 15.00	-£ 15.00	-£ 15.00
Comms (phone & internet)	-£ 75.00	-£ 75.00	-£ 75.00	-£ 75.00
Contractors/subcontractors		-£ 375.00	-£ 500.00	-£ 300.00
Equipment		-£ 165.00	-£ 200.00	-£ 200.00
Facilities (rent & rates)	-£ 600.00	-£ 600.00	-£ 600.00	-£ 600.00
Freight & couriers	-£ 75.00	-£ 125.00	-£ 80.00	-£ 500.00
Insurance		-£ 290.00	-£ 290.00	-£ 290.00
Loan repayments	-£ 175.00	-£ 175.00	-£ 175.00	-£ 175.00
Office expenses	-£ 50.00	-£ 50.00	-£ 50.00	-£ 50.00
Owner's drawings	-£ 2,900.00	-£ 1,200.00	-£ 500.00	-£ 1,000.00
Payroll				
Professional fees	-£ 335.00	-£ 550.00	-£ 450.00	-£ 500.00
Stock & materials	-£ 390.00	-£ 2,890.00	-£ 5,010.00	-£ 2,800.00
Subscriptions & dues	-£ 77.00	-£ 77.00	-£ 77.00	-£ 77.00
Tax (VAT)		-£ 435.00	-£ 800.00	-£ 1,000.00
Tax (income)				
Travel	-£ 237.00	-£ 150.00		-£ 150.00
Utilities (electricity, gas, water)	-£ 315.00	-£ 350.00	-£ 400.00	-£ 350.00
Vehicle (running costs)				
Other				
Other				
<b>TOTAL OUT</b>	-£ 5,619.00	-£ 7,947.00	-£ 9,742.00	-£ 8,932.00
<b>NET CASH FLOW</b>	£ 1,771.00	-£ 2,597.00	£ 2,808.00	£ 6,138.00
<b>CLOSING BALANCE</b>	£ 1,771.00	-£ 826.00	£ 1,982.00	£ 8,120.00

1 'Total in' minus 'Total out'.

2 Starting balance plus net cash flow.

This will become your starting balance for the next period.

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