



**The Little Black Dress and Cash Flow**

**How to Prepare a Cash Flow Forecast**

# more money for shoes

## How to Prepare a Cash Flow Forecast

So, you've downloaded the Cash flow Forecast and you are wondering where to start. Here's what to do in order to fill it in and start using it.

1. Update the cash flow forecast template with the following:

- Your business details
- The period you are preparing the cash flow forecast for
- Your income sources (eg consulting, sales, interest)
- Your anticipated expense and other cash out flow categories including expenses, loan payments, tax payments, wages, etc

2. Collect information/data from the previous year (print out a monthly profit and loss from your accounting program if it will allow it) and you can use this as a starting point to complete the cash flow forecast. If you are a new business you will need to estimate your costs and income.

3. Add the cash inflows you expect to collect during the different periods including the following:

- customer payments
- interest earnings
- dividends
- sponsorship
- grants etc.

Remember your cash inflows will rely on the method of payment your customers use. Enter the expected cash sales immediately. However for sales made on credit terms, enter the cash inflow for the date you actually expect to receive the payment from the customer rather than the date you expect to invoice. Your credit sales income will depend on your credit management policy.

4. Add cash outflows from the items listed in your expenses forecast including the following:

- expenses
- supplier payments
- salaries
- loan repayments
- credit card payments
- taxes

Make sure you take into account regular, irregular, and seasonal payments such as rent, repairs and maintenance as required, and inventory purchases. Like the cash inflows, make sure you enter the expense or payment at the time you expect to make the payment and not when you expect to receive an invoice.

5. To determine your net cash position, enter the bank account balance at the bottom of the cash flow forecast, for the first month only. This will automatically add to your net cash position for the period i.e. income less expenses.