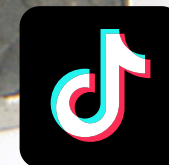
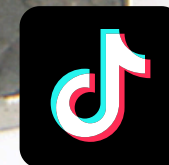


Cash flow flash cards



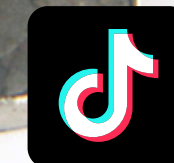
Cash flow forecasts




Cash flow forecasts

A cash flow forecast is a prediction of the money coming in and out of the business. It helps a business see when it may run out of money, they can then arrange extra finance in advance.

They can also plan when they have surplus cash for expansion. It helps businesses make the right decisions.





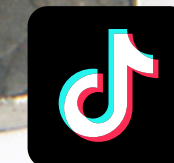
Cash flow statements




Cash flow statement

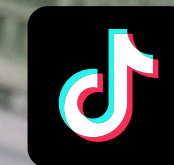
A cash flow statement shows the actual money coming in and out of the business. It helps a business to understand its position in terms of cash available and whether action needs to be taken.

A business can compare it with the forecast to help improve predictions in the future.





Interpreting Cash flow



Interpreting Cash flow

All the money coming into the business

Net cash flow, is the difference between the inflows and the outflows.
Total in - total out = net cash flow.

Closing balance is what the business ends with at the end of the month. Net cash flow + opening balance = closing balance.

All the money going out of the business

Opening balance is taken from the closing balance of the previous month. It is what the business has available at the start of the month.

	Jan	Feb	March
Sales	300	250	240
Bank loan	1000		
Total In	1300	250	240
Wages	100	100	100
Rent	140	140	140
Raw materials	90	90	90
Total out	330	330	330
Net cash flow	970	(80)	(90)
Opening balance	0	970	890
Closing Balance	970	890	800



Interpreting Cash flow

January is the best month, with 1300 but this is mainly due to a loan.

January is the only month when the business has more inflows than outflows and this is due to a loan. They need to try and increase inflows or lower outflows.

The closing balance is always positive but they need to improve their net cash flow to ensure this continues, as it is falling.

Outgoings are the same each month

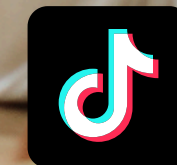
Opening balance is always positive but it has reduced from February to March. They need to improve their net cash flow to keep their opening balance positive

	Jan	Feb	March
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Bank loan	1000		
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Cash flow Solutions



Cash flow Solutions

If a business predicts a negative closing balance it needs to act. It either needs to improve its inflows or reduce its outflows. It may take the following solutions.

Rescheduling payments

Overdraft

Reducing outflows

Increasing inflows

Finding a new source of finance

