

How to Prepare a Cashflow Forecast

Best Practice for Setting up a Cashflow Forecast

A vital part of preparing an accurate and meaningful cash flow forecast that can be used in the decision making process is ensuring you have all the available information to hand.

Preparing an accurate cash flow forecast may take a bit of time initially, however a rolling or annual forecast can then be easily updated.

Covering off a list of key questions in advance will ensure your preparation time is as efficient as possible. This could be a questionnaire that you distribute to the client, a checklist you work through on a telephone call, or during a face to face meeting.

Revenue:

- ☐ Any pricing changes on the horizon?
- ☐ Any new product launches, service lines or plans to break into new markets?
- ☐ Consideration of any new customer sign up initiatives?
- ☐ Royalties or license fees?
- ☐ Any government or economic changes that are likely to alter revenue?
- ☐ Do they plan to alter terms of trade i.e payment terms?
- ☐ Do any bad debts need to be realized and written off?

Costs of Goods:

- ☐ Are any key suppliers anticipating pricing changes or changes to terms of trade?

Overheads:

- ☐ Do they plan to make any changes to overheads?
- ☐ Rent - new locations, changing terms or incurring relocation costs, Work from home allowances?
- ☐ Staffing resources - do they plan to hire or make positions redundant? Are there recruitment or redundancy considerations?
- ☐ Are bonus payments going to happen and if so when?
- ☐ If staff are gaining professional qualifications will this require a Salary increase?
- ☐ Are they looking to invest in new or additional technologies, Servers, Hardware or Software subscriptions?
- ☐ Can business plans reduce overall spend i.e mobile phone plans, vehicle maintenance programs, fuel cards?
- ☐ Are you considering rolling out a new marketing campaign or participating in an event?

Assets:

- ☐ Are they planning on selling any assets, and if so will there be any disposal costs or returns
- ☐ Are any investments due to mature?
- ☐ Are they planning on purchasing any investments / assets? I.e land and buildings
- ☐ How are they paying for those assets - with Cash Flow / debt funded, and on what terms?

Liabilities:

- ☐ Do the existing loans have the same terms or do they wish to be more aggressive in paying these off? Or will they be deferred or have a change of terms?
- ☐ Are they planning on obtaining any loans?
- ☐ What terms will these be negotiated at? Are they planning on issuing any bonds?
- ☐ Are they planning on repaying any loans / bond principal?

Equity:

- ☐ Are they planning on declaring any dividends?
- ☐ Are they planning on issuing any stock?
- ☐ Are they planning on issuing long term notes payable?
- ☐ Are they planning on repurchasing any stock?
- ☐ Are there any anticipated shareholder restructures with cash implications?