

Instructions for Completing the Cash Flow Worksheet

Overview of the Form

The form consists of several sections

- ⇒ Receipts - to record incoming cash
- ⇒ General expense disbursements
- ⇒ Cost of Sales (COS) disbursements
- ⇒ Other (non-expense) disbursements
- ⇒ Cash Flow (total receipts minus total disbursements)
- ⇒ Planned Sales

This form includes a *pre-open* period plus 12 consecutive months. The pre-open period may cover any amount of time which occurs before the company begins actually making sales. It is most useful for new businesses and should be used to record the receipt and disbursement of cash which occurs before the company is actually open for making sales.

This form has been designed for use by all types of business organizations. Although all business organizations have many common receipts and disbursement categories, every line may not apply to a particular organization. The individual line descriptions should be changed to fit the individual organization's need. However, consider carefully before eliminating receipts and disbursements categories.

One of the uses of the cash flow projection form is to help determine the amount and timing of outside financing required to achieve positive cash flow. A suggestion is to first complete the worksheet without entering any loans in the receipts section. Often this results with negative cash flow balances. The highest negative monthly cash flow balance will indicate the amount of additional dollars needed to achieve positive cash flow for each month. A second cash flow projection can then show the injection of dollars and the interest and repayment of loan principal.

Steps for Completing the Form

Hint: Review all of the following steps before beginning the worksheet.

1. Line 45: Plan the dollar sales for each month.
2. Line 1: Enter the beginning cash balance for the first period. (New businesses should enter zero on line 1 under the pre-open period. Existing businesses should enter the cash balance coming forward in either the pre-open or month one period.)
3. Line 2&3: Complete these lines based upon the terms of sale extended to the customer and the sales plan on line 45. Use the following criteria to help enter the receipt of sales dollars.

- Sales for cash or collected within the same month - enter on line 2 under the same month as the planned sales.
- Terms which make payment due the month following the sale - enter on line 3 under the month following the sale. (Examples of typical terms: Net 30 days, Net 10 EOM.)
- Terms which make payment due beyond the following month of the sale - enter on line 3 under the appropriate month.

4. Line 6: Enter new equity investment in the appropriate column.

5. Line 4&5: Enter loan amounts in the appropriate column. (See note in the overview.)

6. Line 7: Calculate the sum of lines 1 through 6.

7. Lines 8-28: Complete for each column.

Hints.

- Executive Payroll is usually the owner's salary or draw.
- Other Payroll is payroll other than executive and direct labor.
- Multiply payroll entries by 11% (.11) to calculate payroll tax expense.
- Include advertising and promotion in marketing
- Include ad valorem taxes under other taxes.
- Use the miscellaneous expense for any general expenses not otherwise classified and as a margin of safety for the projection. Example: make miscellaneous expense at least 10% of the sum of all other disbursements. This equates to the other disbursement entries being 90% correct.

8. Line 29: Calculate the sum of lines 8 through 28.

9. Line 30-35: Enter each line for each appropriate column. Entries into the cost of sales section should directly relate to producing sales.

10. Line 36: Calculate the sum of lines 30 through 35.

11. Line 37-41: Enter each line for the appropriate column. Entries into the other disbursements section are for non-expense items, effecting the balance sheet rather than the profit and loss statement.

12. Line 42: Calculate the sum of lines 37 through 41.

13. Line 43: Calculate the sum of lines 29, 36 and 42.

14. Line 44: Subtract line 43 from line 7.

Note: The cash flow (line 44) for a period (or column) equals the beginning cash balance for the next period (column).

