How do you build a cashflow forecast?

CASHFLOW, FORECASTING, BUDGETING, FINANCE REPORT

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Building a cash flow forecast can help businesses plan their cash needs and ensure they have enough liquidity to cover their expenses.

Here are the steps to build a cash flow forecast:

1. **Determine the time frame**: Decide on the period you want to forecast (typically a week, month, or quarter).

2. **List all sources of cash:** Start by listing all the sources of cash for your business, including sales revenue, loans, and investments.

3. **List all cash outflows:** Next, list all the cash outflows for your business, including salaries, rent, inventory, and other expenses.

4. **Estimate the timing of cash flows:** Estimate when the cash inflows and outflows will occur during the forecast period. For example, you may receive payment from a customer in 30 days or pay rent every month.

5. **Calculate the net cash flow:** Subtract the cash outflows from the cash inflows to determine the net cash flow for each period.

6. **Adjust for changes:** Review the forecast and make adjustments for any changes that may affect cash flow, such as new sales contracts, changes in expenses, or changes in borrowing.

7. **Monitor actual cash flow:** Compare the actual cash flow with the forecast regularly to identify any discrepancies and adjust the forecast as necessary. Cash can come from a variety of sources, such as sales revenue, loans, investments, or other income.

By building a cash flow forecast, businesses can better plan their cash needs and ensure they have enough liquidity to cover their expenses.

It can also help businesses identify potential cash shortfalls and take proactive steps to address them before they become a problem.

If we can help you, reach out for a no obligation chat to **Jo Hands** on 0459826221, or **jo.hands@whiteark.com.au**