

Special Report For:

**Business Owner
Managers
Office Manager**

Looking Ahead Series

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Looking Ahead – Starting to Cashflow Forecast

My previous article identified that cash flow forecasting is a vital tool to determine where the business is going. Cashflow forecasting is the easiest form of forecasting, that is equivalent to looking out of the front window screen of a vehicle, for a business.

In this short e-mail we will look at how to begin to build up a cashflow forecast.

The hardest part is to decide where to and how to start. Fortunately most of us have historical data on which to base our forecast.

First of all you need to have a tool to use on which to enter the forecast. This can be:

- On a sheet of paper.
- In a spreadsheet – need to set up all the formulas.
- Use an existing software package such as **Multi-SWAC** where you do not need to edit any formulas or understand how the forecast operates behind the scenes.

The easiest to forecast are the expenses that are likely to occur. To obtain these it is best to look at what happens with each expense item for the last twelve months. The best guess for the future is what has happened in the recent past. Also most expenditure is relatively consistent from period to period other than those expenses, such as purchases, that may be some % of sales volume. Most expense items such as rent, rates, bank fees etc do not alter much from month to month.

From your accounting system obtain the expense items names and \$ amounts spent for the previous 12 months on a monthly basis. When I am talking about \$, I mean when the cash went out of the bank account. If you cannot obtain these on a monthly basis then take the year figure and divide by 12 to get a monthly equivalent amount. Note: this only works for those items which are relatively constant throughout the year.

Enter the expense item names, down the left hand side and the months across the page. If you need to account for GST/VAT or sales tax then you need to decide if you are going to enter \$ values inclusive or exclusive of these. If you already have an accounting package from which you are going to source \$ values then the chances are that you will use exclusive figures.

Enter the figures in by month against the item. Not all expenses occur each month such as rates so adjust for when these occur.

I have included a printout showing the look you are likely to get using **Multi-SWAC Basic**. This example only shows some of the expense items you may use and is only a guide.

My next article will cover accounting for GST/VAT/Sales Tax and setting up the bank account details.