

Cash Flow

What is it?

Three ways a business can improve its cash flow.

- 1.
- 2.
- 3.

Cash inflows are _____

Cash outflows are _____

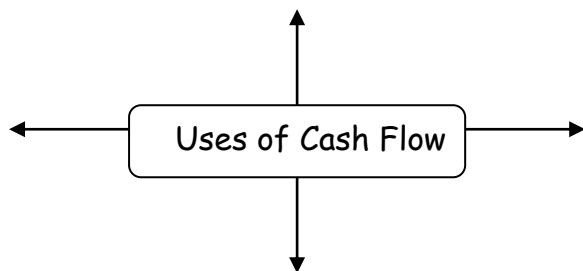


Business

Examples

Examples

So, why is Cash flow important?



Key terms

Cash Inflows –

Cash Outflows –

Net cash flow –

Opening Balance –

Closing Balance -

The Cash Flow Forecast

	January	February	March	April
<u>Cash In/Receipts</u>	400	600	900	
<u>Cash Out/Payments</u>	1200	1000	800	800
Net Cash Flow				
Opening Balance	200			
Closing Balance				

Looking at the cash flow statement, comment on the following areas, pointing out one good and one bad thing about each;

- a) Receipts (Money in)
- b) Payments (Money Out)
- c) Closing balance

Extension – what might be the causes of the problems identified?

Analysing Cash Flows

Minnies Cheese shop

	January	February	March	April
Sales Revenue	25,000	20,000	30,000	25,000
Other inflows				
Total Inflows	25,000	20,000	30,000	25,000
Wages and Rent	20,000	20,000	20,000	20,000
Other Outflows		25,000		
Total Out Flows	20,000	45,000	20,000	20,000
Net Cash Flows	5,000	-25,000	10,000	5,000
Opening Bank Balance	10,000	15,000	-10,000	0
Closing Bank Balance	15,000	-10,000	0	5,000

Question 1 - Why does Millie finish February with negative money in her bank account?

Question 2 - How could Millie make sure she is prepared for this?

Billy's butchers

	September	October	November	December
Sales Revenue	25,000	30,000	30,000	35,000
Other inflows		5,000		
Total Inflows	25,000	35,000	30,000	35,000
Wages and Rent	20,000	20,000	20,000	30,000
Other Outflows				
Total Out Flows	20,000	20,000	20,000	30,000
Net Cash Flows	5,000	15,000	10,000	5,000
Opening Bank Balance	10,000	15,000	30,000	40,000
Closing Bank Balance	15,000	30,000	40,000	45,000

Question 1 - Does Billy have a better cash flow forecast than Millie? Justify your answer

Question 2 - Why do Billy's Outflows go up in December?

Question 3 - Billy has a cash surplus, how could he use this money to help him make even more profit?