

## Cash Forecasting

Now, more than ever, banks are focussing on cash flow and are looking for cash projections. A good cash forecast, which actual performance is regularly monitored against, can prevent cash flow issues. It will show where cash is likely to get tight and allow you to take action to prevent an issue getting out of hand.

Cash flow forecasting can be done using a spreadsheet but tends to be easier with specialised tools such as Winforecast or Visual Cash Focus.

The starting point for a cash forecast is the budget. From this you can determine the timing of costs and you can use past debtor history to forecast cash receipts. You can then plan out asset purchases and sales, loan repayments etc. Obviously actual cash flow will almost always vary from the forecast due to profit varying against budget, unforeseen capital items, changes in interest rates etc but, with regular review, it will be an invaluable tool in managing the business and keeping your financiers happy. Happy financiers mean an increased ability to access finance and lower interest rate margins.

