

SBA Monthly CashFlow Sheet

SBA FORM 1100 (3-93)

Guidelines

GENERAL

Definition: A cash flow projection is a forecast of cash funds a business anticipates receiving, on the one hand, and disbursing, on the other hand, throughout the course of a given span of time, and the anticipated cash projection at specific times during the period being projected.

Objective: The purpose of preparing a cash flow projection is to determine deficiencies or excesses in cash from that necessary to operate the business during the time for which the projection is prepared. If deficiencies are revealed in the cash flow, financial plans must be altered either to provide more cash by, for example, more equity capital, loans, or increased selling prices of products, or to reduce expenditures including inventory, or allow less credit sales until a proper cash flow balance is obtained. If excesses of cash are revealed, it might

indicate excessive borrowing or idle money that could be "put to work." The objective is to finally develop a plan which, if followed, will provide a well-managed flow of cash.

The Form: the cash flow projection form provides a systematic method of recording estimates of cash receipts and expenditures, which can be compared with actual receipts and expenditures as they become known - hence the two columns, Estimate and Actual. The entries listed on the form will not necessarily apply to every business, and some entries may not be included which would be pertinent to specific businesses. It is suggested, therefore, that the form be adapted to the particular business for which the projection is being made, with appropriate changes in the entries as may be required. Before the cash flow projection can be completed and pricing structure established, it is necessary to know or to estimate various important factors of the business, for example:

- What are the direct costs of the product or service per unit?
- What are the monthly or yearly costs of the operation?
- What is the sales price per unit of the product or service?

Determine that the pricing structure provides this business with reasonable breakeven goals (including a reasonable net profit) when conservative sales goals are met. What are the available sources of cash, other than income from sales; for example, loans, equity capital, rent, or other sources?

Procedure: Most of the entries for the form are self-explanatory. However, the following suggestions are offered to simplify the procedure:

(A) Use even dollars rather than showing cents.

(B) If this is a new business, or an existing business undergoing significant changes or alterations, the cash flow part of the column marked "Pre-Start-up Position" should be completed. (Fill in the appropriate blanks only.) Costs involved here are, for example, rent, telephone and utility deposits before the

business actually opens. Other items might include equipment purchases, alterations, the owner's cash injection, and cash from loans received before actual operations begin.

(C) Next fill in the pre-start-up position of the essential operating data (non-cash flow information), where applicable.

(D) Complete the form using the suggestions in the DEFINITIONS tab for each entry.

CHECKING

In order to ensure that the figures are properly calculated and balanced, they must be checked. Several methods may be used, but the following four checks are suggested as a minimum:

CHECK #1: Item #1 (Beginning Cash on Hand-1st Month) plus Item #3 (Total Cash Receipts - Total Column) minus Item #6 (Total Cash Paid Out - Total Column) should be equal to Item #7 (Cash Position at End of 12th Month).

CHECK #2: Item A (Sales Volume-Total Column) plus Item B (Accounts Receivable-Pre-Start-Up Position) minus Item 2(a) (Cash Sales-Total Column) minus Item 2(b) (Accounts Receivable Collection-Total Column) minus Item C (Bad Debt-Total Column) should be equal to Item B (Accounts Receivable at End of 12th Month).

CHECK #3: The horizontal total of Item #6 (Total Cash Paid Out) is equal to the vertical total of all items under Item #5 in the total column at the right of the form.

CHECK #4: The horizontal total of Item #3 (Total Cash Receipts) is equal to the vertical total of all items under #2 [2(a) through 2(c)] in the total column at the right of the form.

ANALYZE the correlation between the cash flow and the projected profit during the period in question. The estimated profit is the **difference** between the estimated change in assets and the estimated change in liabilities before such things as an owner withdrawal, appreciation of assets, change in investments, etc. (The change may be positive or negative.) This can be obtained as follows:

The **change in assets** before owner's withdrawal, appreciation of assets, change in investments, etc., can be computed by adding the following:

- (1) Item #7 (Cash Position-End of Last Month) minus Item #1 (Cash on Hand at the Beginning of the First Month).
- (2) Item #5-Capital Purchases-Total Column minus Item F (Depreciation-Total Column).
- (3) Item B (Accounts Receivable-End of 12th Month) minus Item B (Accounts Receivable-Pre-start-up Position).
- (4) Item D (Inventory on Hand-End of 12th Month) minus Item D (Inventory on Hand-Pre-start-up Position).
- (5) Item #5-Owner's Withdrawal-Total Column or dividends, minus such things as an increase in investment.
- (6) Item #5-Reserve and/or Escrow - Total Column

The **change in liabilities** (before items noted in "change in assets") can be computed by adding the following:

- (1) Item 2(c) (Loans-Total Column) minus 5-Loan Principal Payment-Total Column
- (2) Item E (Accounts Payable - End of 12th Month) minus E (Accounts Payable-Pre-start-up Position).

ANALYSIS

A. The cash position at the end of each month should be adequate to meet the cash requirements for the following month. If too little cash, then additional cash will have to be injected or cash paid out must be reduced. If there is too much cash on hand, the money is not working for your business.

B. The cash flow projection, the profit and loss projection, the breakeven analysis, and good cost control information are tools which, if used properly, will be useful in making decisions that can increase profits to ensure success.

C. The projection becomes more useful when the estimated information can be compared with actual information as it develops. It is important to follow through and complete the actual columns as the information becomes available. Use the cash flow projection to assist in setting new goals and planning operations for more profit.

Please Note: Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to:

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