



Cash Flow Analysis

A cash flow analysis is simply a projection of cash inflows and cash outflows for a business.

Inflows

1. How much cash do I have to start with?
2. Who owes me money and when will they pay?
3. How much will my customers pay me for my goods and services going forward? When will they pay?
4. Are there any other sources of cash that I may receive? Loans? Investments? Sale of property?

Outflows

1. Who do I owe money and when will I pay them?
2. What will it cost me for the goods and services I sell?
3. What are my overhead expenses?
4. Are there any other expenses that I will have to pay?

Businesses can build their own cash flow spreadsheets or use any number of accounting programs. The level of specificity required and the timeline of the cash flow (daily vs weekly vs monthly) will be driven by the amount of the cash cushion for the business. Businesses with ample cash balances can be comfortable with monthly cash flow projections. Business who are short of cash will need weekly or daily cash flow projections.

For businesses needing assistance with this analysis, the Boulder SBDC has reviewed two cash flow models which are available free of charge. The first of these, the Monthly Cash Flow – Boulder SBDC is a good tool for analyzing cash flow on a monthly basis. The second, Daily Cash Flow – Boulder SBDC provides a cash flow model on a daily basis. Both of these tools will require an investment of time from the business. The Daily Cash Flow will require a higher investment of time to prepare and maintain.

There are numerous free and for a fee cash flow models available. The business should choose the one that best suits their needs and abilities.

User Manual – Colorado SBDC Monthly Cash Flow

The model contains notes on most pages and is generally self-explanatory. This document provides some additional tips and insights in using the model.



Overview Worksheet

General instructions and guide.

Assumptions Worksheet

This page lets the business input basic data on the nature of their operations in terms of receipts and payments. You can also include information on existing loans.

Operating Expenses Worksheet

In this worksheet the business can input information regarding their basic on-going operating expenses.

Personnel

The model was originally developed for a manufacturing business. On this worksheet the model asks the business to input the indirect (overhead) labor costs. Specifically: administrative, sales and officer. Later the model will ask the business to assign a per unit labor cost to the product for direct labor expenses. This format will work well for manufacturing businesses but will not be suitable for many other business types. If the manufacturing approach is not suitable for your business just change the headers and input payroll costs on this page in a way that is suitable for your business.

Other

The model has a list of common additional overhead expenses that can be budgeted on a monthly basis. The user should change these as appropriate for their business type.

Products Worksheet

The model will allow the user to recognize that the per unit cost of their products may decrease as they increase sales volumes and gain economies of scale. Many businesses will lack sufficient data to utilize this function. Additionally, some business' cost structure will not behave in this manner.

For users that do not wish to utilize this feature just forecast product pricing and costs using the low sales volume section of the worksheet. The user could also forecast Products by product classes. For instance, a restaurant could choose to forecast Food, Beverage and Other product sales. The price for each one of these products could be set at \$1 and the materials cost could be set at the appropriate

percentage cost. As an example for a restaurant with a 38% food cost and a 25% beverage cost, the price of each product would be \$1 and the materials costs for the food would be \$0.38 and



\$0.25 for beverage. Assuming the restaurant has already included their personnel costs on the previous worksheet the labor cost here would be zero.

Sales Worksheet

The user will enter projected sales by product for each month in the projection. The model will calculate the appropriate costs based on the information provided.

Cash Flow Worksheet

The cash flow worksheet displays the results of the analysis. The user can also enter any new loans or equity infusions that are expected during the projection period.

Loans Worksheet

No information is entered on this worksheet. It will provide the user with additional information on all of the loans entered previously.

Equipment Worksheet

Any anticipated purchases of equipment can be entered on this worksheet. The model will reflect the purchase as a cash charge in the Cash Flow model and will calculate a five year straight line depreciate of the asset for the income and expense model.

Income Statement Worksheet

The income statement presents the results of the spreadsheet in standard income statement form. The bottom of the page allows the user to input industry average statistics for comparison.

Balance Sheet Worksheet

The balance sheet presents the results of the spreadsheet in standard balance sheet form. The bottom of the page allows the user to input industry average statistics for comparison.

FAQ

Several frequently asked questions with answers are included on the FAQ worksheet.