



# STRATEGIES FOR Success

## Cash Flow Projections

*Not sure if you can fund your upcoming operations? Then learn how to make more accurate cash flow projections.*

The cash flow projection is perhaps the most important financial planning tool available for small and micro business owners. Most business owners know how to put together an Income Statement and Balance Sheet (or have someone who does it for them.) But many do not know about or utilize cash flow projections. Bankers report that they often are presented with loan applications without any cash flow projections. This is unfortunate because:

- For a new or growing business, the cash flow projection can make the difference between success and failure.
- For an ongoing business, the cash flow projection can make the difference between growth and stagnation.

Here in laymen's terms, is the difference:

The **Income Statement** shows that your business is (or will be) profitable;

The **Cash Flow Projection** shows how much cash is needed to finance the business plan, when it will be needed and how borrowed funds will be repaid (equity, debt, operating profits or sale of fixed assets are the usual choices.)

When a business consultant, such as our Fiducial office, prepares a cash flow projection the starting point is the sales and expense projections from the income statement.

All non-sales sources of cash are then listed, followed by outlays that are not direct expenses.

The two totals are then netted—if the resulting number is projected to be negative for any month, paying of some obligations will have to be deferred or additional source of cash located.

There are advantages to knowing when cash outlays must be made. Among them is the ability to plan for those outlays and not be forced to resort to unexpected borrowing.

Liquidity is a concern, even for profitable businesses. Lack of profits may not kill a business (non-cash expenses such as depreciation can make profits look negative, while cash flow is positive). Lack of cash to meet trade and other payables will!

Many of the advantages of studying the cash flow projection stem from timing: More options are available, at lower costs, with less panic. Cash flow projections should be used similarly to a budget. If the cash outlays for a given item increase over the amount allocated for a given month, the cause should be investigated and corrective action taken.

**Fiducial Business Consultants are prepared to assist with creation and administration of cash flow projections. Call our office today.**

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