

A Cash Flow Projection: An Overview

The Cash Flow Projection

A Cash flow projection statement will predict the timing and amount of revenues and expenses for a business. It predicts when a business will receive revenue through cash sales, and when it will need to pay out money for expenses.

The cash flow projection will show the entrepreneur when the venture will be cash rich, and when it will be cash poor. A company is cash rich when revenue is greater than expenses, and when a company will have extra cash available to use during times when the company becomes cash poor.

Estimating Revenue

Using market research, one can determine the amount of units that can be sold at different prices. Using this information, the company can project how many units they expect to sell (based on the percentage of the marketplace they hope to obtain), and multiplying this result by expected selling price, can predict revenue.

Use the information below to predict Revenue for this business:

Information: Sale price: \$5 Total Units sold in the industry: 10000 % of total market to obtain: 10%
Projected Revenue:

Estimating Expenses

To estimate expenses, you need to determine the cost of all the resources the venture will need. The key is to remember that this estimate must initially include the start-up costs of the business (ie. Fixed costs) as well as the variable costs during the time the business operates.

Use Microsoft Excel file “Cash flow projection” to complete the following

1. This partial cash-flow projection shows the revenues and expenses of a new venture in its first two months of operations

Month	Total Sales	Monthly operating expenses
1	10000	20000
2	12000	9000

A simple cash-flow statement has three sections:

1. Cash in
2. Cash out
3. Net Cash

Look at the previous cash-flow projection you have created. What do you notice about the cumulative totals for each month? (Hint: Is there a pattern?)

YOUR GOAL

Your goal is to create a cash flow statement for your business for the two months your business will run. Include all revenue and expenses predicted. Use the excel cash flow template to complete.

Projecting revenue

Use the following steps to complete your projected revenue

1. Record your sales price	
2. Record the projected sales based on price from the chart below	
3. Multiply your results from the first box by the results from the second box. This is your projected two month revenue.	
4. Assume 40% of this will be in July. Mutliple .40 by your results in part three. This is your July revenue.	
5. Assume 60% of this will be in August. Mutliple .60 by your results in part three. This is your August revenue.	

Market Research

The following chart indicates how many units you are projected to sell based on your sales price:

Price	Units	Price	Units	Price	Units	Price	Units	Price	Units
20	60	31	55	42	46	53	41	64	22
21	59	32	55	43	45	54	40	65	17
22	59	33	55	44	44	55	40	66	14
23	58	34	54	45	44	56	40	67	10
24	58	35	53	46	44	57	40	68	8
25	58	36	52	47	43	58	40	69	7
26	57	37	51	48	42	59	40	70	5
27	57	38	50	49	41	60	40	71	3
28	57	39	49	50	41	61	35	72	2
29	56	40	48	51	41	62	33	73	1
30	56	41	47	52	41	63	28	74+	0

Projecting Expense

You already have a list of expenses (variable and fixed for the business). Slot these items into the cash flow statement under either operating (these are the variable) or start-up (these are the fixed). Assume the same ratio of sales from the revenue as to when operating expenses will occur.