

Rolling 13-Week Cash Forecast

A Rolling 13-Week Cash Flow Forecast consists of four parts:

1. A beginning cash balance (which will always be the ending cash balance from the week immediately prior).
2. Projected Sources and Receipts of cash (which would include cash sales; collections on receivables; the cash proceeds on the sale of property, plant, or equipment; money raised from banks or lenders, etc.). In essence, this would include any cash that would be deposited into your bank account.
3. Projected Uses, Payments, and Expenditures of cash (which would include all bills paid, purchases of inventory, deposits paid, loans repaid, or accounts payable paid, etc.). In essence, this would include any cash that would be spent or disbursed out of your bank account.
4. An ending cash balance (which is simply the sum of 1-3 above).

Your spreadsheet will have 14 columns, one for each of the next 13 weeks and one to use "after-the-fact" to compare your *actual* results in week one with the *projected* results for week one. This weekly after-the-fact comparison is critical because it allows you to accurately modify and update your projections for the next week based on actual results from the week that just ended.

After the basic template is set up, here is the process we use:

1. Make a thorough list of all the sources and uses of cash. Lots of detail leads to better optics, or said another way: ~~0-11~~ Generalizations kill clarity. So, for example, do not show just one line for "accounts receivable." Instead, make a list of the customers who owe you money and estimate the amount you think they will pay in the appropriate week's column. You usually have much greater control over the timing of when you will pay your bills than when you will collect your money, but some payments, like payroll, rent, and note payments are not only recurring, but mandatory. Other payments might have latitude on the timing; you can make use of this flexibility to craft a cash flow forecast based on your anticipated cash sources.
2. Obviously, the farther out you forecast, the less precise your projections will be. The first couple of weeks will be much more accurate than weeks twelve or thirteen, but that doesn't mean you shouldn't be estimating timing and amounts. Do not let perfect get in the way of possible on this exercise. A good guess is better than ignorance.
3. After the thirteen weeks have been estimated and recorded into your forecast, the next update will be at the conclusion of week one. Your spreadsheet will have a column for week one's actual results and you will record week one's actual sources and uses of cash in this column. You might have estimated you would collect \$1,600 from Mr. Gotcha, but only collected \$1,000. Record \$1,000 in the actual column. You might not have estimated paying any money to Ms. Ransom, but she called and demanded payment so you coughed up \$2,300. Record \$2,300 in the actual column. Based on your actual results in week one, you will do five things:
 - a. Update your ending cash balance for the end of week one with the actual cash balance (which is about to be the new week one).

- b. Update and refine all of the sources and uses line items for the next twelve weeks based on your actual historical results from week one.
- c. Roll all your weeks forward one week. The old week two will become the new week one. The old week three will become the new week two and so forth.
- d. Add a new column for the new thirteenth week and fill in (as best you can) all the anticipated sources and uses for that week.
- e. Update your projected weekly ending cash balances based on (a), (b), and (c) above.

Some business owners do better using a two-week cycle rather than one week. This is good, too. Candidly, using a thirty-day cycle is better than doing zero cash-flow forecasting.

Keep in mind this is a living analysis, and therefore will always be changing. Stuff will happen that you didn't anticipate (both timing and amounts), which will necessitate updates and modifications to your plan. If you see a wall looming on the horizon that has no easy solution, the Rolling 13-Week Cash Flow Forecast will serve as an early warning system so you can make adjustments. For example, if you notice cash getting thin (or negative) in week five, you might need to think about calling Mr. Gotcha in week four or letting Ms. Ransom know she will not get paid until week six. In other words, you should shift around the timing of your cash receipts or uses based on the results you anticipate occurring and take action accordingly. It does no good to know you will run out of cash in week ten and then do nothing about it in weeks one through nine. Use the Rolling 13-Week Cash Forecast not only as a planning tool, but also as an action plan to ensure the oxygen keeps flowing into your business.

Big-picture cash shortfalls can be dealt with in a limited number of ways:

1. Collect more cash revenue or deposits (generates operating cash).
2. Accelerate the timing of accounts receivable collections, which reduces receivable days (generates operating cash).
3. Reduce expenses (increases operating cash).
4. Delay payments on accounts payable, which increases payable days (increases operating cash).
5. Spend less on inventory purchases (increases operating cash).
6. Delay buying, or purchase fewer or cheaper property, plant, and equipment assets (reduces investing cash needs).
7. Sell some property plant and equipment (generates investing cash).
8. Borrow money from the bank (generates financing cash).
9. Raise money from investors (generates financing cash).

Keep in mind that none of these nine possible solutions will be implemented unless you have the optics to know there is a problem. The following Excel chart is a simple example of the Rolling 13-Week Cash Flow Forecast.

KEYS TO THE VAULT

Today's Date is:
Business Name: Toodies

Rolling Weekly Cash Flow Forecast

Cash Flow Forecast	Actual Cash Flow Results	Forecast for Time Period	Forecast for Time Period	Forecast for Time Period	Forecast for Time Period	Forecast for Time Period
	Current	8/10/2014 to 8/16/2014	8/17/2014 to 8/23/2014	8/24/2014 to 8/30/2014	8/31/2014 to 9/6/2014	9/7/2014 to 9/13/2014
13 Week Forecast		1	2	3	4	5
Beginning Cash	110,501	25,045	3,045	(955)	(1,955)	(8,455)
Cash Sources and Receipts						
Enter category names below.						
Product Sells	150,000	150,000	150,000	175,000	175,000	175,000
Installation	90,000	90,000	90,000	95,000	90,000	90,000
Service	45,000	45,000	45,000	90,000	45,000	45,000
Receivables		3,500	40,000	15,000	10,000	9,000
ABC	1,500	2,000	0	0	0	6,000
Mr Gotcha	2,000	1,500	0	0	2,500	0
BeMore Construction	0	0	5,000	0	2,500	0
Total Cash Available	288,500	292,000	330,000	375,000	325,000	325,000
Cash Uses, Payments or Expenditures						
Enter category names below.						
Advertising	5,500	5,500	5,500	10,000	5,500	5,500
Services	25,000	25,000	25,000	25,000	25,000	25,000
Parking/Building/Lease	50,000	50,000	50,000	50,000	50,000	50,000
Inventory	80,000	75,000	80,000	50,000	50,000	100,000
Vehicle	5,000	5,000	5,000	7,500	7,500	7,500
Equipment	5,000	5,000	5,000	5,000	25,000	4,000
Payroll	150,000	125,000	125,000	150,000	125,000	150,000
Property Tax		0	0	15,000	0	0
Supplies	10,500	10,500	10,500	10,500	10,500	10,500
Utilities	13,000	13,000	13,000	13,000	13,000	13,000
Below the Line Items	40,000	0	15,000	40,000	20,000	40,000
Total Cash Usage	384,000	314,000	334,000	376,000	331,500	405,500
Ending Cash	15,001	3,045	(955)	(1,955)	(8,455)	(88,955)

I've also attached a blank Excel template that you can modify for your business and is available from the Microsoft Excel templates.