**Topic 3.1 How to Improve Cash Flow: Activity (1)**

**Look at the cash flow forecast for a florist**

1. **Highlight the monthly expenses (cash outflows) which vary from month to month.**
2. **Highlight the months where you think there is a problemwith Net cash flow and then answer the questions below:**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Jan**  | **Feb** | **March**  | **April**  | **May**  | **June**  | **July**  | **August**  | **Sep**  | **Oct**  | **Nov** | **Dec**  |
| **Income**  |  |  |  |  |  |  |  |  |  |  |  |  |
| Capital Introduced  | 4500 |  |  |  |  |  |  |  |  |  |  |  |
| Sales | 12500 | 12500 | 12500 | 12500 | 12500 | 12500 | 12500 | 12500 | 12500 | 12500 | 12500 | 12500 |
| **Total Inflow**  | 17000 | 12500 | 12500 | 12500 | 12500 | 12500 | 12500 | 12500 | 12500 | 12500 | 12500 | 12500 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Expense**  |  |  |  |  |  |  |  |  |  |  |  |  |
| Purchases  | 5833.33 | 5833.33 | 5833.33 | 5833.33 | 5833.33 | 5833.33 | 5833.33 | 5833.33 | 5833.33 | 5833.33 | 5833.33 | 5833.33 |
| Wages  | 166.67 | 166.67 | 166.67 | 166.67 | 166.67 | 166.67 | 166.67 | 166.67 | 166.67 | 166.67 | 166.67 | 166.67 |
| Rent and Rates  | 750 | 750 | 750 | 750 | 750 | 750 | 750 | 750 | 750 | 750 | 750 | 750 |
| Advertising  | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 |
| Motor Expense | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 |
| Telephone  | 250 |  |  | 250 |  |  | 250 |  |  | 250 |  |  |
| Electricity  | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 | 125 |
| Insurance  | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 |
| Bank Charges  | 625 |  |  | 625 |  |  | 625 |  |  | 625 |  |  |
| Dividends  |  |  |  |  |  | 32500 |  |  |  |  |  | 32500 |
| **Total Outflow**  | 8750 | 7875 | 7875 | 8750 | 7875 | 40375 | 8750 | 7875 | 7875 | 8750 | 7875 | 40375 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Net Cash Flow**  | 8250 | 4625 | 4625 | 3750 | 4625 | -27875 | 3750 | 4625 | 4625 | 3750 | 4625 | -27875 |
| **Opening Balance**  | 300 | 11250 | 15875 | 20500 | 24250 | 28875 | 1000 | 4750 | 9375 | 14000 | 17750 | 22375 |
| **Closing Balance**  | 11250 | 15875 | 20500 | 24250 | 28875 | 1000 | 4750 | 9375 | 14000 | 17750 | 22375 | -5500 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |

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| **Key Terms:** | **Definition:** |
| **De-Stocking** | Reducing the level of stocks in a business. |
| **Trade Credit** | Where a supplier gives a customer a period of time to pay for a bill (or invoice) for goods and services once they have been delivered- usually 30 days after delivery. |

Read pages 67 and 68 about Changing Cash Flows

Explain a minimum of THREE ways how the above business could improve their cash inflows and reduce cash outflows

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| --- | --- |
| **Cash Inflows** | **Cash Outflows** |
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