**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 |
|  |  |  |  |  |  |  |  |  |  |  |  |  |

|  |  |
| --- | --- |
| **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

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