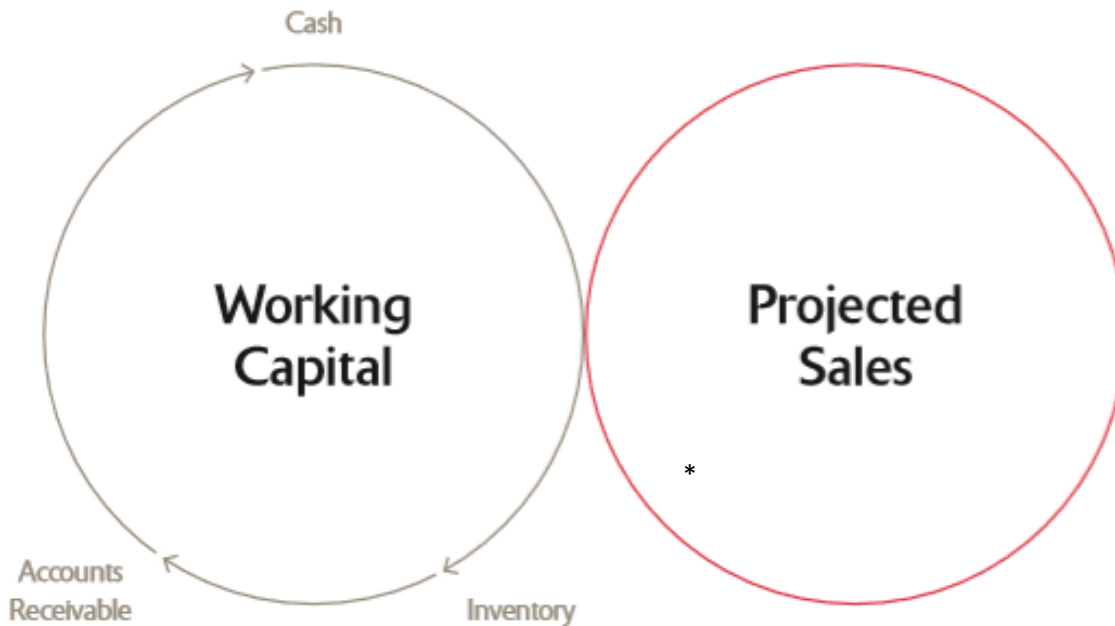


Handout Resources

Lesson 2 Resources

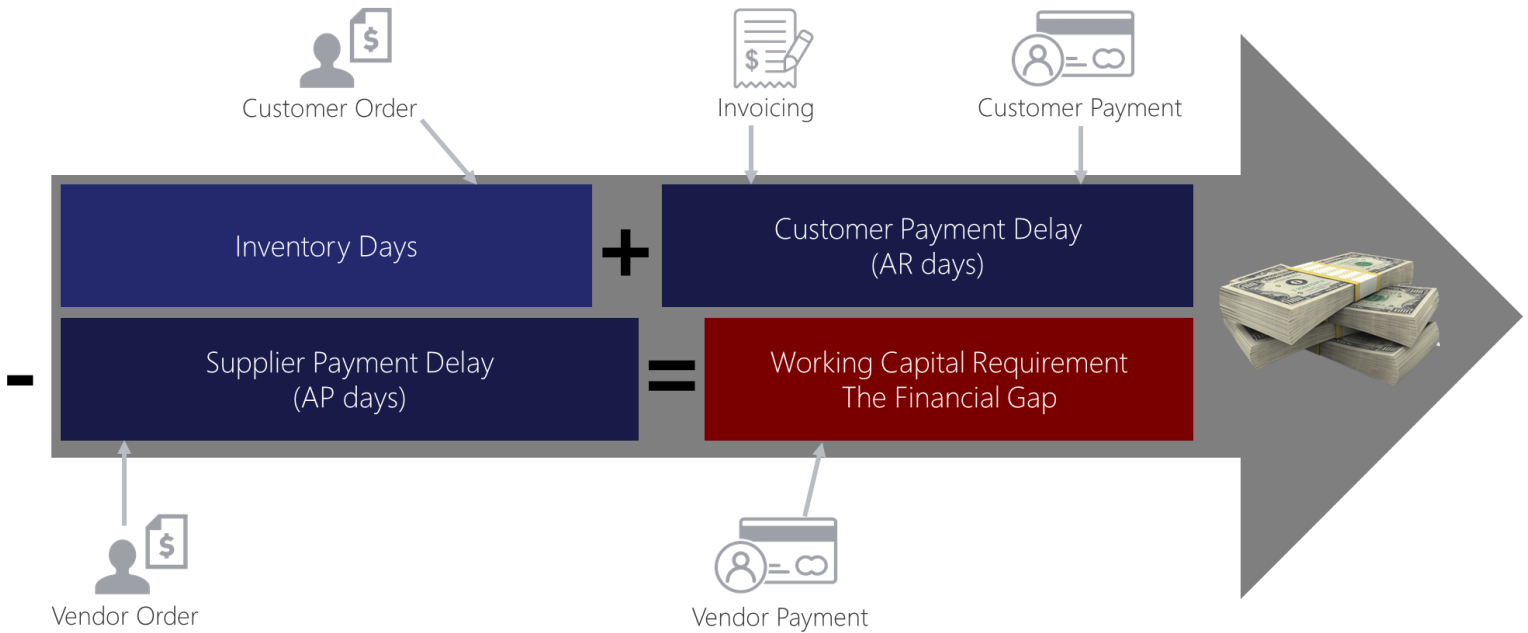
Business
**Cash Flow
Essentials**



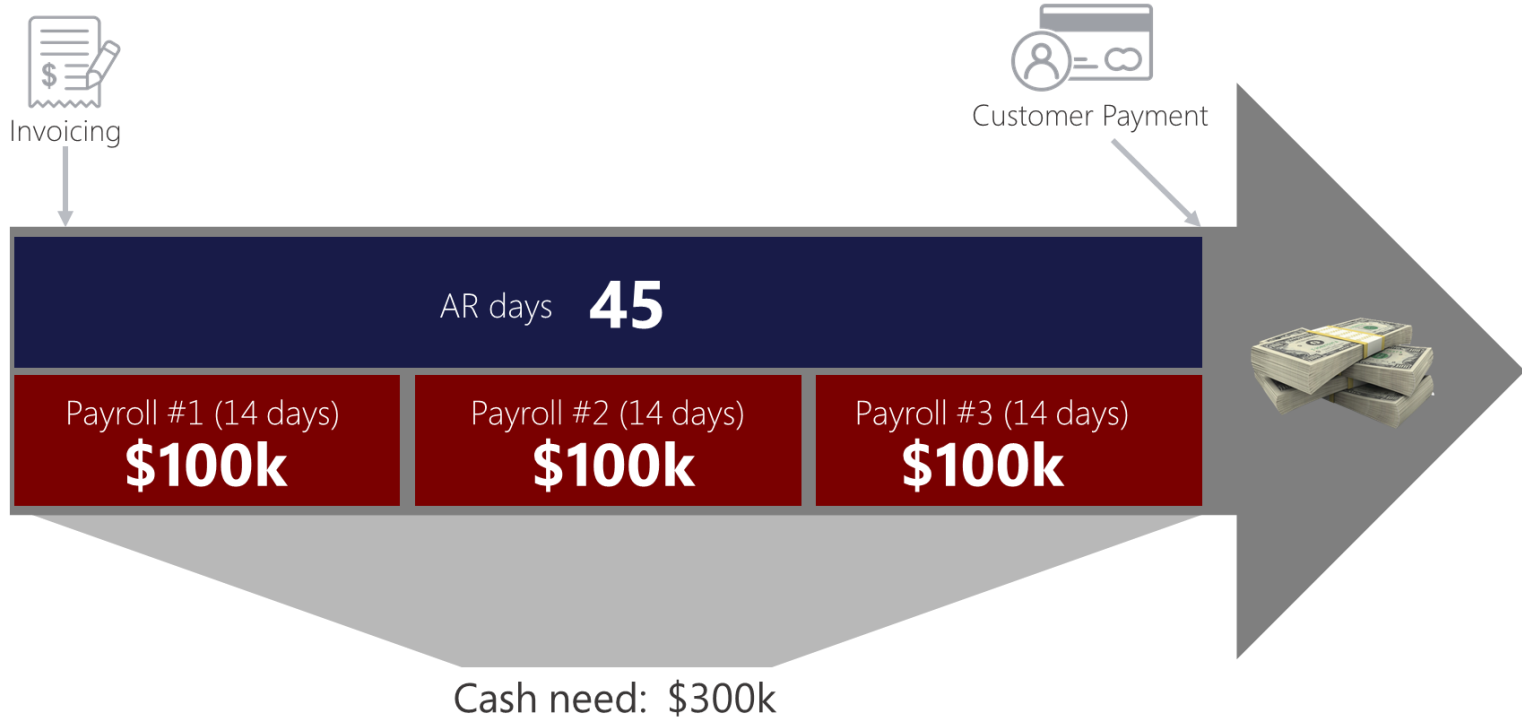


- | | |
|---|---|
| <p>1 _____ Accounts receivable days</p> <p>2 + _____ Inventory days</p> <p>3 - _____ Accounts payable days</p> <p>4 = _____ Cash need in days</p> | <p>5 \$ _____ Average day's sales</p> <p>Divide projected sales by 365 days to get average day's sales. Ex. \$1,100,000 ÷ 365 = \$3,013 per day in sales</p> <p>6 \$ _____ Financing need</p> <p>Multiply result from #4 by result from #5.</p> |
|---|---|

* When calculating the financing need in the working capital cycle, you can use either Projected Sales or Cost of Goods Sold (COGS). The COGS amount will give you the average amount of inventory you sell on a daily basis. It is assumed this will be a lower number than sales, and therefore be a more conservative amount. It does not consider all expenses, only those variable to sales.



$$\begin{aligned} & \text{Inventory Days} \\ & + \text{Accounts Receivable Days} \\ & - \text{Accounts Payable Days} \\ \hline & \text{The Financial Gap} \end{aligned}$$



Accounts Receivable Days
/ Days in Pay period

of Payrolls In Collections Period

X Average Payroll Amount

The Financial (Cash) Need

SPECTRUM MANUFACTURING COMPANY

Balance Sheet (000's)

	<u>Year x1</u>	<u>Year x2</u>	<u>Year x3</u>	<u>Year x4</u>	<u>Year x5</u>
1 ASSETS					
2 Cash	\$102	\$76	\$69	\$33	\$85
3 Accounts Receivable	669	688	661	756	654
4 Inventory	1,116	1,109	1,250	1,059	1,217
5 Prepaid Expenses	105	97	99	88	93
6 Total Current Assets	\$1,992	\$1,970	\$2,079	\$1,936	\$2,049
7 Land & Building	1,085	1,540	1,560	1,600	1,600
8 Vehicles	104	129	138	165	165
9 Equipment	576	866	883	900	920
10 Furniture & Fixtures	89	118	129	176	186
11 Gross Fixed Assets	\$1,854	\$2,653	\$2,710	\$2,841	\$2,871
12 Less Accumulated Dep.	-682	-828	-978	-1,154	-1,337
13 Net Fixed Assets	\$1,172	\$1,825	\$1,732	\$1,687	\$1,534
14 TOTAL ASSETS	\$3,164	\$3,795	\$3,811	\$3,623	\$3,583
15 LIABILITIES & EQUITY					
16 Notes Payable - Bank	\$211	\$656	\$599	\$619	\$589
17 Accounts Payable	558	630	691	764	750
18 Accrued Expenses	203	188	191	170	180
19 Total Current Liabilities	\$972	\$1,474	\$1,481	\$1,553	\$1,519
20 Long-Term Debt	814	903	876	614	599
21 TOTAL LIABILITIES	\$1,786	\$2,377	\$2,357	\$2,167	\$2,118
22 Common Stock	250	250	250	250	250
23 Retained Earnings	1,128	1,168	1,204	1,206	1,215
24 EQUITY	\$1,378	\$1,418	\$1,454	\$1,456	\$1,465
25 TOTAL LIABILITIES & EQUITY	\$3,164	\$3,795	\$3,811	\$3,623	\$3,583

SPECTRUM MANUFACTURING COMPANY

Income Statement (000's)

	<u>Year x1</u>	<u>Year x2</u>	<u>Year x3</u>	<u>Year x4</u>	<u>Year x5</u>
1 SALES	\$8,100	\$7,500	\$7,600	\$6,800	\$7,100
2 Cost of Goods Sold	-5,468	-5,070	-5,252	-4,658	-4,920
3 GROSS PROFIT	\$2,632	\$2,430	\$2,348	\$2,142	\$2,180
4 OPERATING EXPENSES					
5 Owners Salary	\$90	\$70	\$50	\$50	\$50
6 Other Salaries	778	673	620	515	508
7 Commissions	405	375	380	340	350
8 Salary Related Expense	316	298	262	226	220
9 Advertising	83	75	72	70	67
10 Bad Debts	22	16	19	11	18
11 Business Taxes & Licenses	80	76	77	69	73
12 Depreciation	105	146	150	176	183
13 Insurance	95	94	96	102	105
14 Legal & Accounting	21	23	22	26	24
15 Maintenance & Repair	59	51	60	63	65
16 Office Expense	25	23	24	22	23
17 Telephone & Utilities	129	135	143	149	158
18 Travel & Entertainment	54	40	41	49	52
19 Vehicle Expense	47	49	52	61	64
20 Other Admin Expenses	81	77	83	79	80
21 TOTAL OPERATING EXPENSES	(\$2,390)	(\$2,221)	(\$2,151)	(\$2,008)	(\$2,040)
22 OPERATING PROFIT	\$242	\$209	\$197	\$134	\$140
23 Interest Expense	-116	-162	-155	-131	-129
24 NET PROFIT BEFORE TAX	\$126	\$47	\$42	\$3	\$11
25 Income Tax	-32	-7	-6	-1	-2
26 NET PROFIT AFTER TAX	\$94	\$40	\$36	\$2	\$9

Speed of Cash™

The Speed of Cash Dashboard was a dashboard that was automatically generated when a new account was created. It is no longer generated by default, but you can easily create the dashboard to see how fast your cash is coming in and out of our business. Simply create a new dashboard, name it the “Speed of Cash” and add the cards shown below.

