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**What is a forecast?**

**What forecasts would a farmer need, and why would they need them?**

**Would a farmer be interested in forecasting cash?**

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**Why would they be interested in doing this?**

**What information would they need for a Cash Flow Forecast?**

**Would all farms have the same sort of cash receipts?**

**List some cash receipts for:**

* **A dairy farm**
* **A beef farm**
* **An orchard**
* **A salmon farm**

**Would all farms have the same sort of expenditure?**

**List several different items of expenditure for:**

* **A dairy farm**
* **A beef farm**
* **An orchard**
* **A salmon farm**

**Would Cash Flow be the same throughout the year?**

**What might cause farming cash inflows to fluctuate?**

**What might cause farming cash outflows to change?**

**If a farmer wanted to buy a new tractor costing $150,000, how would they know when in the year would be the best time to buy it?**

**SUMMARY – What have we learnt:**

**A Cash Flow Forecast is a projection of cash the business expects to receive and pay next year. It shows the expected cash position for each month during the year.**

**The purpose of a Cash Flow Forecast is to predict shortages or excesses of cash in the next year, so the business can be prepared to deal with each situation, eg:**

* **For shortages arrange ………**

(More money from owner, loans, increased selling price, less credit sales, increase bank overdraft, decrease stock levels, sell idle assets, reduce expenses, etc)

* **For excess funds arrange ……….**

(Put idle money to work, eg arrange term deposit, or other investment, investigate in case of excessive borrowing, etc)

* **Plan when would be the best month to buy expensive capital equipment**

**What equipment would businesses use to do a Cash Flow Forecast?**

**What type of program would be used?**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Month*** | **April** | | **May** | | **June** | | **July** | |
| **Forecast** | **Actual** | **Forecast** | **Actual** | **Forecast** | **Actual** | **Forecast** | **Actual** |
| **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** |
| ***Cash in:*** *includes*  *GST*  *Cash Sales*  *Cash from debtors*  *etc* | 1,000  10,000  4,000 | 980  11,200  3,700 | 1,200  14,000  4,500 |  |  |  |  |  |
| **Total Cash in** | 26,000 | 31,500 | etc |  |  |  |  |  |
| ***Cash out****: includes GST* | 500 | 350 |  |  |  |  |  |  |
| ACC payments | 500 | 500 | etc |  |  |  |  |  |
| Accounting costs | 100 | 80 |  |  |  |  |  |  |
| Advertising | 100 | 160 |  |  |  |  |  |  |
| Etc |  |  |  |  |  |  |  |  |
| **Total Cash out** | 15,000 | 16,200 |  |  |  |  |  |  |
| **Surplus/Deficit** | 11,000 | +15,300 |  |  |  |  |  |  |
| **Monthly Variance** |  | +4,300 |  |  |  |  |  |  |
| **Open Bank Bal** | 2,000 | 2,000 | 13,000 | 17,300 |  |  |  |  |
| **+ Surplus/Deficit** | 11,000 | +15,300 |  |  |  |  |  |  |
| **Closing Bank Bal** | 13,000 | 17,300 |  |  |  |  |  |  |

**A spreadsheet provides a system to record estimates of receipts and expenditures, which can be compared with the actual figures once they are known, eg**

**Why would you compare the two figures for each month?**

(cash position at the end of each month should be able to cover the cash needed for the next month. If there is too little cash, then extra cash will need to be found of the expenses reduced. If there is too much cash on hand, then this money is not working for the business.)

**Before a Cash Flow Forecast can be done, you need to know some information. Possible questions could be:**

* **What is the direct cost of each service/product/litre etc produced?**
* **What is the sales price of the above?**
* **What are the monthly or yearly costs of running the business?**
* **What pricing structure do we need to my sure we breakeven (plus a reasonable profit) when conservative sales goals are met?**
* **What are the sources available for cash, other than from sales?**

(loans, equity capital, rent etc)