#### Market Mike

Mike Wolfe has recently begun in business running his own stall at Farmers’ Markets. He wishes to expand and he would need a bank loan. The bank has requested that Mike produces a Cash Flow Forecast for the forthcoming period. He has obtained the following information relating to the next six months. This information is to be used to construct a cash flow forecast for the six months ending 31 December.

1. Purchases and sales are expected to be as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Jul** | **Aug** | **Sep** | **Oct** | **Nov** | **Dec** |
| **Purchases** | 890 | 1040 | 1190 | 1260 | 1350 | 1670 |
| **Sales** | 1480 | 1530 | 1580 | 1670 | 1760 | 2140 |

1. Purchases are paid for one month in arrears
2. All sales are for cash
3. Trade creditors as at 30 June amounted to $830, payment is due by 20th of following month.
4. A new stall is expected to be purchased in September which would cost $750. The old stall would be traded in at a value of $150, the balance to paid in cash.
5. Personal drawings are $500 per month
6. Rent of the market stall patch amounts to $180 per month but will rise to $270 in October
7. On 1 July the bank balance was $750 overdrawn

#### Required

* **Individually** create a spreadsheet to allow Mike to forecast the business cash flow for the next six months ending 31 December.
* What conclusions can you draw from the Cash Forecast?
* Is Mike likely to get the loan as things stand?
* What recommendations can you make to Mike to improve his chances of getting the bank loan.
* Identify three actions that Mike could take to secure this bank loan.

