

## Your Task – Cash Flow Forecasting

### Scenario:

Mr N. Flake runs an ice cream van, based in Reading his territory is the surrounding areas of Prospect Park. Having been in the business for over 20 years, Mr Flake has built up an excellent reputation and is known throughout the area for his ice cream, in some cases he is serving the children whose parents he also served. He has come to the bank for help with his cash flow, he is unsure as to what exactly a cash flow is and what it represents, he is an old fashioned individual and has never been concerned with cash flow forecasting and has always just kept a record of all his finances in a book. However he is nearing his retirement and wishing to pass on the business and as a result has to prepare a cash flow forecast for potential buyers.

His monthly incomings and outgoings:

- Sales start at £1500 in January and increase every month leading up to summer by £500 – this peaks in August (at £5000) and sales fall steadily by £750 a month until December (£2000)
- He also hires his van out for 5 school-fête's a year, 2 in June and 3 in July – he charges £250 per fête
- He has 3 birthday parties booked, all in August – he charges £200 per party
- He pays his licence fee to the council at the beginning of each year; the total he has to pay is £1599
- Mr Flake pays insurance for his van via direct debit every month – this is £100
- Public liability cover insurance is also direct debited each month at £20
- Mr Flake's stock is 20% of the monthly sales figure, for example – stock for January is £300 (20% of £1500)
- Fuel costs Mr Flake less than his stock. It is half the monthly stock figure i.e. January fuel is £150
- His salary is a fixed cost and he pays himself £1200 a month

### Requirement:

Having studied the monthly incomings and outgoings in detail, complete the following:

1. A cash flow forecast on the sheet provided using the above monthly data.
2. Analyse the implications to Mr Flake's business if:
  - a. In May and June Mr Flake fell ill and he had to pay somebody else £1200 a month to run the business *as well as* himself?
  - b. He received 6 more party bookings for September?
  - c. His liability cover increased by £10 a month?