Cash Flow

Determine how much cash you need to operate your business

Overview
A cash flow projection enables you to anticipate how much cash is expected to flow in and out of your business. It is a forecast of your company’s cash income and expenses on a periodic basis (e.g. weekly or monthly).

Why is this important?
Preparing a Cash Flow Statement allows you to predict cash shortfalls and financing needs, and allows you to plan for investments and expenditures.

For new businesses, cash flow projections can give you a better idea of how much capital investment your business idea needs.

Getting Started
A simple spreadsheet tool can help you keep track of your cash flow. You can use the Cash Flow Worksheet to document the income you expect to receive and the expenses you expect to pay each month.

<table>
<thead>
<tr>
<th>Cash Flow Worksheet</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flow Detail</strong>:</td>
<td></td>
</tr>
<tr>
<td>Anticipated incoming cash and cash paid out to determine the monthly cash position.</td>
<td></td>
</tr>
<tr>
<td><strong>Crop Sheet</strong>:</td>
<td></td>
</tr>
<tr>
<td>Details anticipated production, revenues and expenses for labor and material associated with each crop.</td>
<td></td>
</tr>
<tr>
<td><strong>Production Summary</strong>:</td>
<td></td>
</tr>
<tr>
<td>Consolidates information from all Crop Sheets.</td>
<td></td>
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</tbody>
</table>

Start Up Costs
If you are a new agribusiness, you should include an estimate of your production and operations-related start-up costs. Use the Cash Flow Worksheet to document your production costs (including labor and material costs) in each Crop Sheet. Use the Cash Flow Detail Sheet to document your estimated operational expenses.

Cash In
Use the Crop Sheet to enter your estimated sales figures for each month. This should include all money you anticipate to receive during the month (do not include receivables).

Use the Cash Flow Detail to enter any other sources of cash including:

- Loans
- Revenue from services performed
- Any other cash coming into the business

You should guard against being overly optimistic in projected sales and try to be as realistic as possible in putting together your Cash Flow Projection.
Cash Out
Use the Cash Flow Worksheet to enter your estimated expenses for each month.

Each Crop Sheet should include the production expenses associated with each crop. Examples of crop-related expenses include:

- Labor
- Production Materials and Supplies

The Cash Flow Detail should include all expenses associated with operating the business. Examples of expenses include those relating to:

- Land Lease or Mortgage Payment
- Payroll Expenses
- Employee Benefits
- Insurance
- Auto
- Marketing
- Taxes
- Utilities

The Cash Flow Detail will automatically capture expense information entered in each Crop Sheet to reflect all expenses associated with the business.

Reconciliation of Cash Flow
After entering your initial cash on hand, your anticipated cash coming into, and your anticipated cash out, the Cash Flow Worksheet will calculate your cash position each month.

Using the Results
After documenting this information in the Cash Flow Worksheet, you will be able to analyze the following information:

Forecasting – you will be able to estimate your annual revenues and expenses.

Manage Cash Flow Deficits – you will know when you will run out of cash:

Cash Flow Detail Sheet – Analyzing Cash Flow Deficits

<table>
<thead>
<tr>
<th></th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Lease</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities - Telephone</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Interest Expense</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td>-</td>
<td>2,785</td>
<td>2,885</td>
</tr>
<tr>
<td>Loan principal payment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Purchase (Land)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Purchase (Equipment)</td>
<td>7,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Purchase (Stk Purchasing)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Profit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td>-</td>
<td>9,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL CASH PAID OUT</strong></td>
<td>-</td>
<td>12,085</td>
<td>12,385</td>
</tr>
<tr>
<td>Cash Position (end of month)</td>
<td>10,000</td>
<td>7,895</td>
<td>5,779</td>
</tr>
</tbody>
</table>

With this information, you can explore the following options during a cash flow deficit:

- Obtain financing.
- Reschedule purchases and investments for months where you have surplus cash.
- Speed up collections on account receivables so you have enough cash during the particular month.
- Liquidate available investments.
- Cut expenses.
- Delay payment to vendors.

Manage Cash Flow Surplus – you will know when you will have adequate cash. With this information, you can explore the following options during a cash flow surplus:

- Consider short-term investments.
- Purchase supplies in advance at bulk rates.
Next Steps and Resources

- Use the Cash Flow Worksheet to document all projected income and expense information.
- Obtain electronic copies of the Cash Flow Worksheet by contacting one of the following:

  Oahu Resource Conservation District
  99-193 Aiea Heights Dr. #111
  Aiea, HI  96701
  (808) 483-8600 x113

  Agribusiness Incubator Program
  3050 Maile Way, Gilmore 115
  Honolulu, HI  96822
  (808) 956-3530

- Apply for personalized assistance from:

  Agribusiness Incubator Program
  3050 Maile Way, Gilmore 115
  Honolulu, HI  96822
  (808) 956-3530

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