

Cash Flow Forecasting & Management — Workbook

This workbook turns the course into a working set of cash tools for one real business, yours, a company you advise, or one you are studying. Pull the last three to twelve months of bank statements, the receivables and payables aging reports, and the most recent balance sheet, and keep them beside you. Work through each section in order: prove to yourself why your profit is not your cash, build and roll a live 13-week forecast, construct a driver-based annual model with burn, runway, and scenarios, then plan the levers that close any gap. The templates are built to be filled with your own figures and reused every week and every month.

Why Cash Is Not Profit: The Foundations

Prove to yourself why a profitable business can still run short of cash, and measure how many days your money is trapped in the operating cycle.

Exercise: Reconcile Your Profit to Your Cash

Take your most recent full month or quarter. Put the net profit from your income statement next to the actual change in your bank balance over the same period, then explain every dollar of the gap between them.

- What was net profit for the period, and what was the actual change in your bank balance (closing minus opening)? How large is the gap?

- How much cash was consumed by an increase in receivables (sales made but not yet collected) during the period?

- How much cash was consumed or released by changes in inventory and by changes in payables (bills owed but not yet paid)?

- What cash left the business that never touched the income statement: loan principal repayments, owner draws, and capital purchases?

Worksheet: Cash Conversion Cycle Calculator

Calculate your cash conversion cycle from your latest figures so you know exactly how many days your cash is locked in the business. Fill each input and compute each output.

Accounts receivable balance (\$)

Annual revenue (\$)

Days sales outstanding (DSO) = $\text{receivables} / \text{revenue} \times 365$

Inventory balance (\$)

Annual cost of goods sold (\$)

Days inventory outstanding (DIO) = inventory / cost of goods x 365

Accounts payable balance (\$)

Days payable outstanding (DPO) = payables / cost of goods x 365

Cash conversion cycle (CCC) = DSO + DIO - DPO (days)

Estimated cash tied up = CCC x average daily operating spend (\$)

Checklist: Cash Literacy Standards

- I can state the difference between my profit and my cash balance for the last period
- I know my DSO, DIO, DPO, and resulting cash conversion cycle in days
- I have identified the single largest source of cash trapped in my business right now
- I track cash separately from profit and review the bank balance at least weekly
- I can name which of my cash movements are operating, investing, or financing

Building the 13-Week Cash Flow Forecast

Build, populate, and roll the short-term forecast so you can see any cash gap forming up to a quarter in advance.

Exercise: Build Your Receipts and Disbursements Lists

Before filling the grid, list the real cash movements that will hit your account over the next 13 weeks. Use your receivables aging for inflows and your payables plus payment calendar for outflows.

- From your receivables aging, which open invoices do you expect to collect, and in which specific week will each realistically land based on that customer's history?

• What collections do you expect from new sales over the next 13 weeks, lagged by your average days to collect?

• What are your fixed disbursement dates: payroll, rent, loan payments, insurance, tax and payroll remittances?

• Which supplier payments are flexible, and on which week do you intend to pay each given the supplier's terms?

Worksheet: Single-Week Cash Position Worksheet

Work one representative week in full so the mechanics are clear, then replicate across all 13 weeks in the template. Fill each line for the week you choose.

Week number and dates

Opening cash balance (\$)

Customer collections, largest customers listed individually (\$)

Financing and other inflows: loan draw, refund, owner injection (\$)

Total cash receipts (\$)

Payroll (\$)

Supplier payments (\$)

Rent, utilities, and fixed costs (\$)

Taxes, remittances, and debt service (\$)

Owner draws and other outflows (\$)

Total cash disbursements (\$)

Net cash movement = receipts - disbursements (\$)

Closing cash balance = opening + net movement (\$)

Checklist: Weekly Forecast Roll Routine

- Every Monday I enter last week's actual receipts and disbursements from the bank statement
- I calculate the variance (actual minus forecast) for every major line
- I investigate any line that is off by more than my set threshold
- I update the remaining weeks with what the variance taught me and add a fresh week 13
- I re-read the closing-balance row and flag the lowest point and any negative week
- I forecast receipts conservatively and never bury or understate payroll

The Annual Forecast, Burn Rate, and Scenarios

Build the strategic twelve-month model, measure burn and runway, and stress-test the plan so you know how deep and how soon a cash gap could be.

Exercise: Identify and Forecast Your Cash Drivers

An annual model is built from a handful of drivers, not every line item. Identify the three to seven inputs that genuinely move your cash, then project them month by month.

- What are the three to seven drivers that determine most of your revenue and cost (e.g. units and price, billable hours and rate, new customers and churn)?

- What is your realistic monthly forecast for each driver over the next twelve months?

- What is the timing lag between earning revenue and collecting the cash, and between incurring a cost and paying it?

- What off-income-statement cash movements must you add each month: capital purchases, loan principal, owner draws, tax payments?

Worksheet: Burn Rate and Runway Tracker

Calculate how fast you consume cash and how long that leaves you. Fill these from your most recent month of actuals and recompute every month.

Total cash outflows for the month (gross burn) (\$)

Total cash inflows for the month (\$)

Net burn = outflows - inflows (\$)

Current cash balance (\$)

Runway in months = current cash / net monthly burn

Month and amount of the projected lowest cash point

Runway status (green over 12 months / amber 6 to 12 / red under 6)

Trigger date to begin a raise or cost cut (roughly 6 months before zero)

Exercise: Run Three Scenarios and a Sensitivity Check

Take your driver-based model and produce a base, best, and downside case, then isolate the assumption your cash is most exposed to. Read the cash low point in each.

- Base case: with your genuine best-estimate drivers, what is the lowest cash balance and in which month does it occur?
 - Downside case: cutting revenue by 20 percent, stretching collections from your normal terms to 60 days, and adding one shock cost, how deep does the cash gap get and when?
 - Sensitivity: holding all else fixed, what does a 10-day rise in DSO do to your cash low point versus a 10 percent drop in sales? Which hurts more?
 - For the downside, what specific action will you trigger, and on what date, to keep cash positive?
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Checklist: Annual Model Quality Standards

- My model is driven by a small set of assumptions I can change in one place
- Changing a single driver updates the projected cash balance in every month
- I have a base, best, and downside scenario built off the same model
- I size any financing around the downside case, not the base case
- I recalculate burn rate and runway from actuals every single month

Closing the Gap and Managing the Crunch

Plan the receivables, payables, inventory, and financing levers that close a forecast gap, and rehearse the playbook for an acute cash crunch.

Exercise: Pull the Working Capital Levers

For a gap your forecast has revealed, work the internal levers before considering outside money. Quantify the cash each lever could free.

- Receivables: if you cut DSO by 10 days through faster invoicing and disciplined collections, how much cash does that free ($10 / 365 \times$ annual revenue)?

- Payables: which suppliers could move to longer terms, and how many days of cash would using the full terms and paying on the last day release?

- Inventory: how much slow-moving or excess stock could you clear, and how much cash is currently sitting on your shelves?

- Which single lever frees the most cash fastest, and what is the first action you will take this week?

Worksheet: Financing Decision and Sizing Worksheet

When internal levers are not enough, match the financing to the gap and size it from your forecast. Fill this to choose and right-size a facility before you need it.

Nature of the gap (short-term / seasonal / long-term / one-off shock)

Depth of the worst-case gap from your downside scenario (\$)

Month the gap first opens

Best-fit financing type (line of credit / term loan / invoice finance / owner injection)

Facility size needed = worst-case gap plus a safety margin (\$)

True annualized cost of the chosen option (%)

Date to arrange the facility (well before the gap month)

Repayment source and plan

Checklist: Cash Crunch Action Sequence

- Switch to a daily cash forecast for the next two to four weeks
- Triage every disbursement into must-pay (payroll, taxes), should-pay, and can-wait
- Personally chase the largest unpaid invoices and offer a small early-payment incentive
- Freeze all non-essential spending: hiring, travel, capital purchases, discretionary subscriptions
- Draw available credit and arrange short-term supplier or owner support transparently
- Communicate early and honestly with the bank, key suppliers, and the team

Checklist: Cash Resilience Habits

- I hold a cash reserve covering three to six months of operating expenses
- I roll my 13-week forecast every week without fail
- I keep an annual forecast with a downside scenario and pre-arranged financing
- I actively work to keep my cash conversion cycle as short as the business allows
- I review burn rate and runway monthly so the countdown is never a surprise

Your Action Plan

1. Gather the inputs: last three to twelve months of bank statements, receivables and payables aging, and the most recent balance sheet.
2. Reconcile last period's profit to the actual change in cash and calculate your cash conversion cycle in days.
3. Build the 13-week forecast in the template, populating receipts from the receivables aging and disbursements from your payment calendar.
4. Identify the lowest closing-balance week and any week that goes negative, and note how many weeks of warning you have.
5. Build a driver-based annual model and calculate current burn rate and runway from your latest month of actuals.
6. Run base, best, and downside scenarios and record the depth and month of the worst-case cash gap.
7. List the working-capital levers in order of speed and quantify the cash each could free before considering external money.
8. If a real gap remains, choose and size the right financing from the downside scenario and arrange it before the gap month.
9. Set a fixed weekly cadence to roll the 13-week forecast and a monthly cadence to refresh the annual model, burn, and runway.
10. Build toward a cash reserve of three to six months of operating expenses to convert future shocks into inconveniences.

