



THE TIMES 100

BUSINESS CASE STUDIES

Cash flow teacher guide (CIMA)

GCSE activity – dummy's guide to cash flow forecasts

Independent enquirers	Team workers	Effective participants	Self managers	Reflective learners	Creative thinkers
✓			✓		

'A'-Level activity – cash flow advice card

Independent enquirers	Team workers	Effective participants	Self managers	Reflective learners	Creative thinkers
✓			✓		

Cash flow worksheet

1. It is important for Timmy to draw up a cash flow forecast to aid his decision making regarding the financial situation of the business. He can identify cash shortfalls and ensure that overdraft facilities are in place. He can identify when there are likely to be cash surpluses which may be used to buy additional equipment for example. He is hoping to get a loan from the bank for the security equipment. They may wish to see his cash flow forecast before agreeing to the loan.
2. Timmy has forecast a negative closing balance in January and October. The main cause of this problem is the fact that he is paying for his bills every three months.
3. Timmy could arrange to spread the outflows of cash for the bills by paying on a monthly basis instead of quarterly. He could also look at other ways of increasing cash inflows or decreasing cash outflows.



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Cash flow worksheet

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Receipts												
Sales	£ 23,000	£ 23,000	£ 23,000	£ 23,000	£ 23,000	£ 23,000	£ 23,000	£ 23,000	£ 23,000	£ 25,000	£ 30,000	£ 30,000
Interest on investments	£ 500	£ 500	£ 500	£ 500	£ 500	£ 500	£ 500	£ 500	£ 500	£ 500	£ 500	£ 500
Loan					£ 50,000							
Total receipts	£ 23,500	£ 23,500	£ 23,500	£ 23,500	£ 73,500	£ 23,500	£ 23,500	£ 23,500	£ 23,500	£ 25,500	£ 30,500	£ 30,500
Payments												
Rent	£ 5,800	£ 5,800	£ 5,800	£ 5,800	£ 5,800	£ 5,800	£ 5,800	£ 5,800	£ 5,800	£ 5,800	£ 5,800	£ 6,000
Bills	£ 5,000			£ 5,000			£ 5,000			£ 5,000		
Salaries	£ 10,000	£ 10,000	£ 10,000	£ 10,000	£ 10,000	£ 10,000	£ 10,000	£ 10,000	£ 10,000	£ 12,000	£ 12,000	£ 12,000
Equipment					£ 50,000							
Stock	£ 5,100	£ 5,100	£ 5,100	£ 5,100	£ 5,100	£ 5,100	£ 5,100	£ 5,100	£ 8,000	£ 10,000	£ 10,000	£ 7,000
Total payments	£ 25,900	£ 20,900	£ 20,900	£ 25,900	£ 70,900	£ 20,900	£ 25,900	£ 20,900	£ 23,800	£ 32,800	£ 27,800	£ 25,000
Net cash flow	-£ 2,400	£ 2,600	£ 2,600	-£ 2,400	£ 2,600	£ 2,600	-£ 2,400	£ 2,600	-£ 300	-£ 7,300	£ 2,700	£ 5,500
Opening balance	£ 100	-£ 2,300	£ 300	£ 2,900	£ 500	£ 3,100	£ 5,700	£ 3,300	£ 5,900	£ 5,600	-£ 1,700	£ 1,000
Closing balance	-£ 2,300	£ 300	£ 2,900	£ 500	£ 3,100	£ 5,700	£ 3,300	£ 5,900	£ 5,600	-£ 1,700	£ 1,000	£ 6,500



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True/False cash flow activity

1. Cash is not as important as profit - FALSE
2. Net cash flow equals receipts minus payments - TRUE
3. To improve cash flow, businesses should aim to reduce cash inflows - FALSE
4. Cash flow is the movement of cash into and out of a business - TRUE
5. The closing balance can be calculated by combining the net cash flow with the opening balance - TRUE
6. During a recession it is usually easy to borrow money - FALSE
7. To improve cash flow businesses could negotiate longer payment terms with their suppliers - TRUE
8. Receipts are inflows of cash from things like sales of goods and interest on investments - TRUE
9. Poor cash flow is rarely a reason why businesses fail - FALSE
10. Management accountants can help firms to manage their cash flow - TRUE