

# 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.

	Yr 1 Beg Balance	Jan	Feb	Mar
Cash on Hand (beginning of month)	10,000	10,000	9,005	20,770
<b>CASH RECEIPTS</b>				
Customer Payments		12,000	24,000	24,000
Loans or other cash receipts				
Additional Paid-In Capital				
<b>TOTAL CASH RECEIPTS</b>	-	12,000	24,000	24,000
<b>TOTAL CASH AVAILABLE</b>	10,000	22,000	33,005	44,770
<b>CASH PAID OUT</b>				
Prepwork				
Planting		160	-	160
Poles		120	-	120
Packing				
Grading / Selecting		800	800	800
Packing		5,800	5,800	5,800
Labeling		1,100	1,100	1,100
<b>SUBTOTAL</b>	-	9,240	8,480	9,240
Auto Expense		500	500	500
Bank Service Charges		5	5	5
Contributions				

## Cash Flow Worksheet

The Cash Flow Worksheet includes various sheets:

- Cash Flow Detail: details anticipated incoming cash and cash paid out to determine the monthly cash position.
- Crop Sheet: details anticipated production, revenues and expenses for labor and material associated with each crop.
- Production Summary: consolidates information from all Crop Sheets.

## 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 include:

- 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

	Yr 1 Beg Balance	Jan	Feb	Mar
Training				
Payroll Taxes				
Real Property Taxes				
General Excise Taxes				
Land Lease				
Utilities - Telephone		100	100	100
Interest Expense				
Miscellaneous				
<b>SUBTOTAL</b>	-	3,755	3,755	3,755
Loan principal payment				
Capital purchase (Land)				
Capital purchase (Equipment)		15,000		
Capital purchase (Site Renovation)				
Other startup costs				
Reserve and/or Escrow				
Owners' Withdrawal				
<b>SUBTOTAL</b>	-	15,000	-	-
<b>TOTAL CASH PAID OUT</b>	-	27,995	12,235	12,995
<b>Cash Position (end of month)</b>	10,000	(5,995)	5,770	16,775

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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