

UNIT 10: PAPERWORK – CASH PROJECTION



UNIT 10: PAPERWORK – CASH PROJECTION



1. Know Your Available Cash.
2. Use Your Income Statements.
3. Understand a Cash Flow Projection.
4. Make a Cash Flow Projection.

REPORT

Last Week's Promises:

Business Plan: Implement two ideas to improve or increase your productive assets. Consider the four loan warnings if you chose to get a loan.

Home Quality of Life Plan: Choose to improve a specific area from your Home Plan.

Savings: Save money, even just a coin or two.

ACT:

Business Spotlight presentation

REPORT:

COMMITMENTS CHART			
<i>Name</i>	<i>Business</i>	<i>Home</i>	<i>Savings</i>
John C.	yes	yes	yes
Maria T.	no	yes	no
Your Name	?	?	?

DISCUSS:

- What did you learn last week as you kept your promises?
- What problems did you have as you tried to keep your commitments?
- What can we do to help everyone keep weekly promises?



DISCUSS:

- What do you see in this picture?
- Have any of you ever been lost?
- How does it feel to be lost?

ACT:

Apply the four principles in this unit to your business.



DISCUSS:

- How could a map or compass help?
- How helpful is it to get a forecast of dangerous weather, especially on a boat?
- How would it be helpful to forecast what will happen with your business?

Principle 1

KNOW YOUR AVAILABLE CASH

CAN I AFFORD MORE ASSETS? PART I

VIDEO SUMMARY



MARIA: I decided to buy more chickens because I need more productive assets to grow my business.

NAOMI: Sounds like a good decision to me.



MARIA: I will get a loan for 1500 and get 15 chickens.

NAOMI: Why fifteen hundred? Why fifteen chickens?



MARIA: Well, I just know someone who is selling 15 chickens for 1500. That is just how many he has. It is a good price.



NAOMI: Hmm. Do you have enough cash flow for fifteen chickens? How much are the payments? Did you talk to a lender?



MARIA: I talked to one lender and he said it will be 300 per month.

NAOMI: Will you have enough cash each month to make the payments?



MARIA: I don't know. I hope so. But how would I know?

Principle 1

KNOW YOUR AVAILABLE CASH

DISCUSS:

- How can Maria find out if she will have enough cash to make her loan payment of 300 for the next six months?

Principle 1

KNOW YOUR AVAILABLE CASH

CODE:

Turn to page 32 in your workbook and look at Maria's Income & Expense Log Example for the cash balance. Or look at the next slide

Principle 1

KNOW YOUR AVAILABLE CASH

MARIA'S INCOME & EXPENSE LOG EXAMPLE

Income & Expense Log (July 1-31)				
Date	Description	Expense	Income	Balance
Starting <i>Cash Balance</i>				+50
July-1	<i>Egg Sales</i>		+1300	+1350
July-7	<i>Chicken Sale</i>		+500	+1850
July-9	<i>Buy Feed</i>	-1200		+650
July-9	<i>Pay Transport</i>	-300		+350
July-15	<i>Egg Sales</i>		+1300	+1650
July-15	<i>Salary</i>	-1300		+350
July-25	<i>Egg Sales</i>		+1300	+1650
July-28	<i>Buy Feed</i>	-1200		+450
July-28	<i>Pay Transport</i>	-300		+150
Ending <i>Cash Balance</i>				+150

Principle 1

KNOW YOUR AVAILABLE CASH

DISCUSS:

- How much available cash does Maria have before the month starts?
- What is the available cash at the end of July?
- How much available cash did Maria have at the end of the day July 15?

Principle 1

KNOW YOUR AVAILABLE CASH

DISCUSS:

- How can you always know how much available cash you have?
- What does this month of records tell Maria about her business?

ACT:

Turn to page 32 in your workbook or another notebook and answer the question.

Principle 2

USE YOUR INCOME STATEMENTS

CODE:

- Turn to page 33 in your workbook to see Maria's Income & Expense Log example. Or look on the next slide and be prepared to answer some questions.

Principle 2

USE YOUR INCOME STATEMENTS

MARIA'S INCOME STATEMENT EXAMPLE

Income & Expense Log (July 1-31)				
Date	Description	Expense	Income	Balance
Starting Cash Balance				+50
July-1	Egg Sales		+1300	+1350
July-7	Chicken Sales		+500	+1850
July-9	Buy Feed	-1200		+650
July-9	Pay Transport	-300		+350
July-15	Egg Sales		+1300	+1650
July-15	Salary	-1300		+350
July-25	Egg Sales		+1300	+1650
July-28	Buy Feed	-1200		+450
July-28	Pay Transport	-300		+150
Ending Cash Balance				+150

Income Statement (July 1-31)	
Starting Cash Balance	+50
Income	
Egg Sales	+3900
Chicken Sales	+500
Total Income	+4400
Expenses	
Feed	-2400
Transport	-600
Salary	-1300
Total Expenses	-4300
Profit (or Loss)	+100
Ending Cash Balance	+150

Principle 2

USE YOUR INCOME STATEMENTS

DISCUSS:

- How many times did Maria buy feed for the chickens?
- How much does the income statement show Maria spent for feed?
- Did Maria make a profit in July?
- What is the difference between an Income & Expense Log and an Income Statement?

Principle 2

USE YOUR INCOME STATEMENTS

ACT:

- Look at page 33 in your workbook at Practice Income & Expense Log and Income Statement. Or look on the next slide.
- Now we will practice making an Income & Expense Log and an Income Statement.
- If you are using another notebook, copy the next slide in order to make your own Income & Expense Log

Principle 2

USE YOUR INCOME STATEMENTS

ACT:

- If you are using another notebook, copy the chart on the next slide in order to make your own Income & Expense Log and Income Statement.

Principle 2

USE YOUR INCOME STATEMENTS

PRACTICE INCOME & EXPENSE LOG AND INCOME STATEMENT

Income & Expense Log ()date				
Date	Description	Expense	Income	Balance
Starting Cash Balance				
Ending Cash Balance				

Income Statement ()date	
Starting Cash Balance	
Income	
Total Income	
Expenses	
Total Expenses	
Profit (or Loss)	
Ending Cash Balance	

Principle 3

UNDERSTAND A CASH FLOW PROJECTION

CODE:

- Turn to page 34 of Maria's Income Statements to begin looking at and understanding Cash Flow Projections. Or look on the next slide

Principle 3

UNDERSTAND A CASH FLOW PROJECTION

3 MONTHS OF MARIA'S INCOME STATEMENTS

July		August		September	
Starting Cash Balance	+50	Starting Cash Balance	+150	Starting Cash Balance	+50
Income		Income		Income	
Egg Sales	+3900	Egg Sales	+3800	Egg Sales	+3900
Chicken Sales	+500	Chicken Sales	+600	Chicken Sales	+400
Total Income	+4400	Total Income	+4400	Total Income	+4300
Expenses		Expenses		Expenses	
Feed	-2400	Feed	-2500	Feed	-2350
Transport	-600	Transport	-700	Transport	-550
Salary	-1300	Salary	-1300	Salary	-1300
Total Expenses	-4300	Total Expenses	-4500	Total Expenses	-4200
Profit (or Loss)	+100	Profit (or Loss)	-100	Profit (or Loss)	+100
Ending Cash Balance	+150	Ending Cash Balance	+50	Ending Cash Balance	+150

Principle 3

UNDERSTAND A CASH FLOW PROJECTION

CODE:

- What is Maria's average Chicken Sales for the last three months?
- What is her monthly salary?

The purpose of a Cash Flow Projection is to predict future income & expenses and calculate future Profit & Loss as well as cash balances.

Principle 3

UNDERSTAND A CASH FLOW PROJECTION

CODE:

- Turn in your workbook to page 34 to Maria's Cash Flow Projection Example. Or look at the next slide.

Principle 3

UNDERSTAND A CASH FLOW PROJECTION

MARIA'S CASH FLOW PROJECTION EXAMPLE

	July	August	September	October	November	December	January	February	March
Starting Cash Balance	+50	+150	+50						
Income									
Egg Sales	+3900	+3800	+3900						
Chicken Sales	+500	+600	+400						
Total Income	+4400	+4400	+4300						
Expenses									
Feed	-2400	-2500	-2350						
Transport	-600	-700	-550						
Salary	-1300	-1300	-1300						
Loan									
Total Expenses	-4300	-4500	-4200						
Profit (or Loss)	+100	-100	+100						
Ending Cash Balance	+150	+50	+150						

Principle 3

UNDERSTAND A CASH FLOW PROJECTION

CODE:

- Turn in your workbook to page 35 to Maria's Cash Flow Projection Example (with no loan). Or look at the next slide.
- What would happen to Maria's cash flow if Maria doesn't take out a loan or buy more chickens?

Principle 3

UNDERSTAND A CASH FLOW PROJECTION

MARIA'S CASH FLOW PROJECTION WITH NO LOAN

	July	August	September	October	November	December	January	February	March
Starting Cash Balance	+50	+150	+50	+150	+250	+150	+250	+350	+250
Income									
Egg Sales	+3900	+3800	+3900	+3900	+3800	+3900	+3900	+3800	+3900
Chicken Sales	+500	+600	+400	+500	+600	+400	+500	+600	+400
Total Income	+4400	+4400	+4300	+4400	+4400	+4300	+4400	+4400	+4300
Expenses									
Feed	-2400	-2500	-2350	-2400	-2500	-2350	-2400	-2500	-2350
Transport	-600	-700	-550	-600	-700	-550	-600	-700	-550
Salary	-1300	-1300	-1300	-1300	-1300	-1300	-1300	-1300	-1300
Loan									
Total Expenses	-4300	-4500	-4200	-4300	-4500	-4200	-4300	-4500	-4200
Profit (or Loss)	+100	-100	+100	+100	-100	+100	+100	-100	+100
Ending Cash Balance	+150	+50	+150	+250	+150	+250	+350	+250	+350

Principle 3

UNDERSTAND A CASH FLOW PROJECTION

DISCUSS:

- What would happen to Maria's cash flow if Maria doesn't take out a loan or buy more chickens?

CODE:

- Let's turn to page 35 in your workbook at Maria's Cash Flow Projection For 15 Chickens. Or look at the next slide.

Principle 3

UNDERSTAND A CASH FLOW PROJECTION

MARIA'S CASH FLOW PROJECTION FOR 15 CHICKENS

	July	August	September	October	November	December	January	February	March
Starting Balance	+50	+150	+50	0	-50	-100	-150	-200	-250
Income									
<i>Egg Sales</i>	+3900	+3800	+4800	+4800	+4800	+4800	+4800	+4800	+4800
<i>Chicken Sales</i>	+500	+600	+500	+500	+500	+500	+500	+500	+500
Total Income	+4400	+4400	+5300	+5300	+5300	+5300	+5300	+5300	+5300
Expenses									
<i>Feed</i>	-2400	-2500	-3000	-3000	-3000	-3000	-3000	-3000	-3000
<i>Transport</i>	-600	-700	-750	-750	-750	-750	-750	-750	-750
<i>Salary</i>	-1300	-1300	-1300	-1300	-1300	-1300	-1300	-1300	-1300
<i>Loan</i>			-300	-300	-300	-300	-300	-300	
Total Expenses	-4300	-4500	-5350	-5350	-5350	-5350	-5350	-5350	-5050
Profit (or Loss)	+100	-100	-50	-50	-50	-50	-50	-50	+250
Ending Balance	+150	+50	0	-50	-100	-150	-200	-250	0

Principle 3

UNDERSTAND A CASH FLOW PROJECTION

DISCUSS:

- Does Maria have enough cash flow for loan payments of 300 per month if she starts in October?
- What month will Maria make her first payment?

Principle 3

UNDERSTAND A CASH FLOW PROJECTION

DISCUSS:

- How much does she think her egg sales will go up?
- Should Maria try a different loan amount?
- Could she save up and pay cash for the chickens instead of a loan?

Principle 3

UNDERSTAND A CASH FLOW PROJECTION

CAN I AFFORD MORE ASSETS? PART II

VIDEO SUMMARY



MARIA: Naomi, thank you for showing me how to do a cash projection. Loan payments of 300 per month would have been very bad for me.



MARIA: I would have run out of money in the third month. I would not have been able to make payments. I could have lost my business!



NAOMI: Oh, Maria, I'm so glad we looked at your available cash before you got a loan. Let's try it with a smaller loan.

Principle 3

UNDERSTAND A CASH FLOW PROJECTION

CODE:

- Turn to page 36 in your workbook and look at Maria's Cash Flow Projection for 8 Chickens. Or look at the next slide.

Principle 3

UNDERSTAND A CASH FLOW PROJECTION

MARIA'S CASH FLOW PROJECTION FOR 8 CHICKENS

	<i>August</i>	<i>September</i>	<i>October</i>	<i>November</i>	<i>December</i>	<i>January</i>	<i>February</i>	<i>March</i>	<i>April</i>
Starting Balance	+150	+50	+50	+50	+50	+50	+50	+50	+200
Income									
<i>Egg Sales</i>	+3800	+4350	+4350	+4350	+4350	+4350	+4350	+4350	+4350
<i>Chicken Sales</i>	+600	+500	+500	+500	+500	+500	+500	+500	+500
Total Income	+4400	+4850	+4850	+4850	+4850	+4850	+4850	+4850	+4850
Expenses									
<i>Feed</i>	-2500	-2700	-2700	-2700	-2700	-2700	-2700	-2700	-2700
<i>Transport</i>	-700	-700	-700	-700	-700	-700	-700	-700	-700
<i>Salary</i>	-1300	-1300	-1300	-1300	-1300	-1300	-1300	-1300	-1300
<i>Loan</i>		-150	-150	-150	-150	-150	-150		
Total Expenses	-4500	-4850	-4850	-4850	-4850	-4850	-4850	-4700	-4700
Profit (or Loss)	-100	0	0	0	0	0	0	+150	+150
Ending Balance	+50	+50	+50	+50	+50	+50	+50	+200	+350

Principle 3

UNDERSTAND A CASH FLOW PROJECTION

DISCUSS:

- Does Maria have enough cash flow for a loan of 800.00 for 8 chickens?
- Does Maria have enough cash flow for a loan of 1500.00 for 15 chickens?
- What is a cash flow projection?
- How will it help your business?

Principle 3

UNDERSTAND A CASH FLOW PROJECTION

ACT:

- Take time to make a cash flow projection with your business's reports. (See next slide for details).

Principle 4

MAKE A CASH FLOW PROJECTION

CODE:

- It is time to practice making a cash projection for your business.
- Turn to a Blank Cash Flow Projection graph on page 37 or copy in onto another notebook.
 - Refer to your practice Income Statement on page 33 in your workbook or notebook.

Principle 4

MAKE A CASH FLOW PROJECTION

CODE:

- Please predict what you think some of income and expenses will be for the next six months.
 - Remember– this is just a practice. Just do the best you can.

Principle 4

MAKE A CASH FLOW PROJECTION

CODE:

- Share with a partner or the group some of your projections.
- What will you need to do to make them happen?

Principle 4

MAKE A CASH FLOW PROJECTION

CODE:

- Turn to page 52 in the resource section in your workbook or create a blank Income & Expense Log in another notebook.
- Now you will make a real cash projection for your business using your real income statements and paperwork.

Principle 4

MAKE A CASH FLOW PROJECTION

DISCUSS:

- How does knowing your available cash help you make decisions about your business?
- Besides loan payments, are there other ways that knowing your cash flow can help you grow your business?

Principle 4

MAKE A CASH FLOW PROJECTION

ACT:

- Turn to page 39 in your workbook and read along the boxes.
Or follow along on the next slide



Cash flow projections help me compare my actual expenses with my budget expenses at the end of each month.



Cash flow projections help me know if my business is reaching its goals.



Cash flow projections help me plan for the future. "I'm glad I made a cash flow projection and got a smaller loan."

Principle 4

MAKE A CASH FLOW PROJECTION

ACT:

- Make a six month Cash Flow Projection for your business before the next meeting.

PAPERWORK – CASH PROJECTION PRINCIPLES SUMMARY

1. Know Your Available Cash.
2. Use Your Income Statements.
3. Understand a Cash Flow Projection.
4. Make a Cash Flow Projection.

COMMITMENT

Business Plan Commitment:

- I will use my business paperwork, both my Income & Expense Logs and my Income Statements, to make a six month Cash Flow Projection for my business.

COMMITMENT

Home Quality of Life Commitment:

- I will thoughtfully choose one or two areas of my Quality of Life Wheel and write down goals to improve this week.
- I will be specific with my written goals and follow through.

Savings Commitment:

- I will add to my savings—even if it's just a coin or two.

COMMITMENT

DISCUSS:

- Who would like to share their Home Quality of Life Commitment this week?
- Which commitment will be the easiest to keep for you this week?
- Which commitment will be the hardest?

COMMITMENT

ACT:

- Meet now with your Action Partner for this week. Discuss your business ideas and decide how you will contact and encourage each other during the week to keep your commitments.

