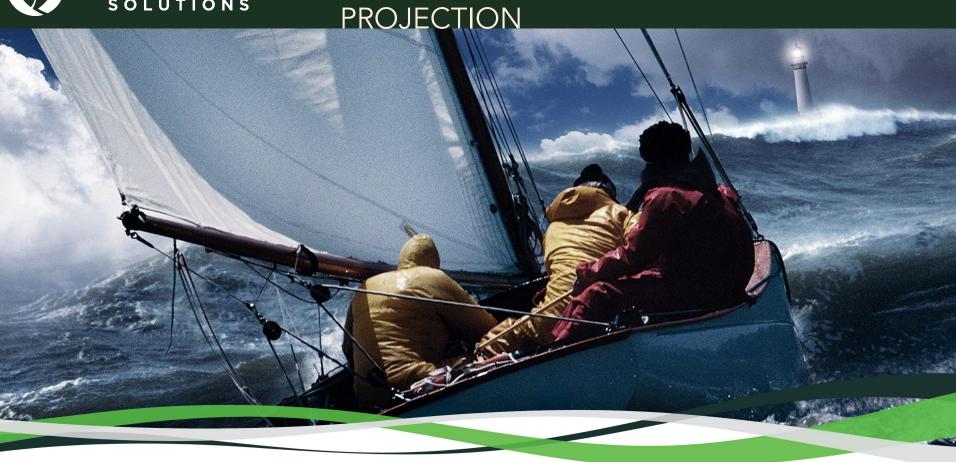


UNIT 10: PAPERWORK – CASH



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:

COMM	COMMITMENTS CHART										
Name	Business Home Savin										
John C.	yes	yes	yes								
Maria T.	no	yes	no								
Your Name	?	Ś	Ś								

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?

CAN I AFFORD MORE ASSETS? PART I



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?



VIDEO SUMMARY

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?

DISCUSS:

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

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

UNIT 10: PAPERWORK – CASH PROJECTION

Principle 1 KNOW YOUR AVAILABLE CASH

MARIA'S INCOME & EXPENSE LOG EXAMPLE									
Income & Expense Log (July 1-31)									
Date	Description	Expense	Income	Balance					
Starting	Starting Cash Balance +50								
July-1	Egg Sales		+1300	+1350					
July-7	Chicken Sale		+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					

DISCUSS:

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

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.

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.

MARIA'S INCOME STATEMENT EXAMPLE

Income & Expense Log (July 1-31)										
Date	Description	Expense	Income	Balance						
Starting	g 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					

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?

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

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.

PRACTICE INCOME & EXPENSE LOG AND INCOME STATEMENT Income & Expense Log (Income Statement ()date)date Date Description Expense Income Balance Starting Cash Balance Starting Cash Balance Income Total Income Expenses Total Expenses Profit (or Loss) **Ending** Cash Balance Ending Cash Balance

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	
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

August						
Starting Cash Balance	+150					
Income						
Egg Sales	+3800					
Chicken Sales	+600					
Total Income	+4400					
Expenses						
Feed	-2500					
Transport	-700					
Salary	-1300					
Total Expenses	-4500					
Profit (or Loss)	-100					
Ending Cash Balance	+50					

September								
Starting Cash Balance	+50							
Income								
Egg Sales	+3900							
Chicken Sales	+400							
Total Income	+4300							
Expenses								
Feed	-2350							
Transport	-550							
Salary	-1300							
Total Expenses	-4200							
Profit (or Loss)	+100							
Ending Cash Balance	+150							

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.

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						

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

ı									
	July	August	September	October	November	December	January	February	March
Starting Cash Balance	+50	+150	+50	+150	+250	+150	+250	+350	+250
Income	3								
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

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									
Egg Sales	+3900	+3800	+4800	+4800	+4800	+4800	+4800	+4800	+4800
Chicken Sales	+500	+600	+500	+500	+500	+500	+500	+500	+500
Total Income	+4400	+4400	+5300	+5300	+5300	+5300	+5300	+5300	+5300
Expenses									
Feed	-2400	-2500	-3000	-3000	-3000	-3000	-3000	-3000	-3000
Transport	-600	-700	-750	-750	-750	-750	-750	-750	-750
Salary	-1300	-1300	-1300	-1300	-1300	-1300	-1300	-1300	-1300
Loan			-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	C

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?

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?

CAN I AFFORD MORE ASSETS? PART II



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!

VIDEO SUMMARY



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.

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

	August	September	October	November	December	January	February	March	April
Starting Balance	+150	+50	+50	+50	+50	+50	+50	+50	+200
Income	7								
Egg Sales	+3800	+4350	+4350	+4350	+4350	+4350	+4350	+4350	+4350
Chicken Sales	+600	+500	+500	+500	+500	+500	+500	+500	+500
Total Income	+4400	+4850	+4850	+4850	+4850	+4850	+4850	+4850	+4850
Expenses									
Feed	-2500	-2700	-2700	-2700	-2700	-2700	-2700	-2700	-2700
Transport	-700	-700	-700	-700	-700	-700	-700	-700	-700
Salary	-1300	-1300	-1300	-1300	-1300	-1300	-1300	-1300	-1300
Loan		-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

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?

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.

UNIT 10: PAPERWORK – CASH PROJECTION

BLANK CASH FLOW PROJECTION

	Month #1	Month #2	Month #3	Month #4	Month #5	Month #6	Month #7	Month #8	Month #9
Starting Balance									
Income									
									14
Total Income									
Expenses									
Total Expenses								-	
Profit (or Loss)									
Ending Balance									

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.

CODE:

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

CODE:

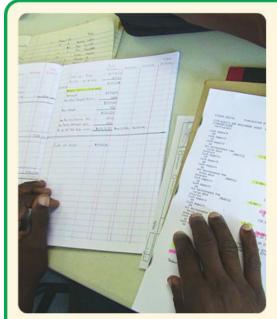
- Turn to page 52 in the resource section in your workbook or create a blank Income & Expense Log in another notebook.
- Now you will make a real cash projection for your business using your real income statements and paperwork.

DISCUSS:

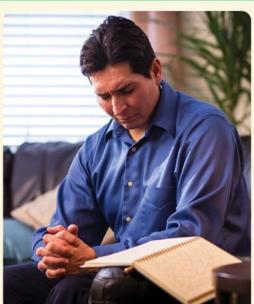
- How does knowing your available cash help you make decisions about your business?
- Besides loan payments, are there other ways that knowing your cash flow can help you grow your business?

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."

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.

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.

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.

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?

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.



UNIT 10: PAPERWORK – CASH

