

Cash Flow Statement

Chapter 12

Unit 3

Performance Objectives:

You will complete Cash Payment worksheets, Cash Available worksheets, and create a Statement of Cash Flow for your business in Microsoft® Excel. You will create and complete a pro forma cash flow statement in Microsoft® Excel.

Evaluation Criteria:

Successful completion of this chapter requires you to:

- § Read about the purpose of the Statement of Cash Flow.
- § Complete Cash Payment worksheets.
- § Complete Cash Available worksheets.
- § Make graphs and charts in Microsoft® Excel.
- § Complete Pro Forma Cash Flow Statements in Microsoft® Excel.

Cash Flow

Income statements help you track monthly expenses. A balance sheet will help you keep track of your assets and liabilities. Although these financial statements give you critical information needed to run your business, neither of these statements will tell you much about where the cash used in the business comes from or where it goes. This is what the statement of cash flow shows.

Task 1: Planning Worksheets (optional)

Use the information from previous chapters to complete the worksheets.

There are two worksheets which may help you complete your statement of cash flow, cash payments and cash receipts. Work through the following worksheets. Make sure you use the same time period for both worksheets. The time periods for cash flow are variable, but for this exercise we will use a monthly format and then project it over a year.

Business Name:
Cash Payments
Time Period:

1. **Total Start-Up Costs** (refer to Chapter 8) _____
2. **Inventory Purchases**
(cash to be paid out for goods you intend to resell) _____
3. **Variable Expenses (selling expenses)**
(cash to be paid out for all the expenses that go into producing the services you provide or products you sell) _____
4. **Fixed Expenses**
(cash to be paid out for all of your regular operating expenses) _____
5. **Assets**
(cash to be paid out for capital assets you will purchase) _____
6. **Liabilities**
(loans, accounts payable that you will have to pay cash for) _____
7. **Owner's Equity**
(if you are going to give yourself a draw of \$1,500 per month, record it here) _____
- Total Cash To Be Paid** _____

Business Name:
Cash Receipts
Time Period:

1. Beginning Cash Balance	_____
2. Sales (forecast your sales for this time period)	_____
3. Sales of Assets (record the amount you expect to receive from selling your capital equipment)	_____
4. Liabilities	_____
5. Accounts Receivable	_____
6. Owner's Equity	_____
7. Interest Income	_____
8. Other Income	_____
Total Cash	
	With sales _____
	Without sales _____

Task 2: Completing your Pro Forma Cash Flow Statement in Excel

Use the information from the previous worksheets and other financial statements to complete your statement of cash flow in Excel. Use the pre-made form located in the Appendix and save it to your computer.

If your business is new, you will have to project your income. Use the information you gathered in your market research. Think about seasonal fluctuations. Will your business lag in the winter months (as most outdoor service businesses will)? Or will it pick up around the holidays (retail businesses)? What months will you need to do the most advertising? These fluctuations should be reflected in your pro forma cash flow.

Also, think if you will need to purchase any big pieces of equipment during the year. Will you hire new employees at some point in the year? Record these changes in the appropriate month on your pro forma cash flow.

Business Name
Pro Forma Cash Flow Statement
January 1 through June 30, 2010

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Total</u>
Beginning Cash Balance							
Cash Receipts							
Sales							
Receivables							
Interest Income							
Other							
Sale of Long Term Assets							
Total Cash Available							
Cash Payments							
Cost of Goods Sold							
Purchases							
Material							
Other							
Labor							
Total Cost of Goods Sold							
Variables							
Advertising							
Shipping							
Packaging Costs							
Salaries							
Travel							
Other							
Misc							
Total Variable Expenses							
Fixed Expenses							
Insurance							
Licenses							
Permits							
Rent							
Utilities							
Misc							
Other							
Total Fixed Expenses							
Interest Expense							
Federal Income Tax							
Long-Term Asset Payments							
Loan Payments							
Owner Draw							
Total Cash to Be Paid Out							
Cash Balance							
Loans to be Received							
Equity Deposits							
Ending Cash Balance							

Task 3: Your QuickBooks Basic 2002® Cash Flow Statement

Follow the directions below to create a cash flow statement in QuickBooks Basic 2002®.

1. Go to **Reports** → **Report Finder** and Select **Cash Flow Forecast**.
2. Select the date range.
3. Click Display.

Larry's Landscaping & Garden Supply Statement of Cash Flows

October 1 through December 15, 2003

◊ Oct 1 - Dec 15, 03 ◊

OPERATING ACTIVITIES	
Net Income	▶ 24,111.06 ◀
Adjustments to reconcile Net Income to net cash provided by operations:	
Accounts Receivable	-31,278.08
Inventory Asset	-323.91
Accounts Payable	1,498.25
CalOil Card	48.50
QuickBooks Credit Card:QBCC Field Office	45.00
QuickBooks Credit Card:QBCC Home Office	25.00
Payroll Liabilities	1,769.96
Sales Tax Payable	<u>885.20</u>
Net cash provided by Operating Activities	-3,219.02
FINANCING ACTIVITIES	
Bank Loan	-1,270.50
Owner's Equity:Owner's Draw	<u>-5,000.00</u>
Net cash provided by Financing Activities	<u>-6,270.50</u>
Net cash increase for period	-9,489.52
Cash at beginning of period	<u>51,013.31</u>
Cash at end of period	<u><u>41,523.79</u></u>

Notes: