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FastTrac® GrowthVenture™



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# Sample Cash Flow Report

## Cash Flow Report and Cash Flow Statement

Entrepreneurs usually use one of two cash flow tools to assist them in financial decision making: the Cash Flow Report or the traditional Cash Flow Statement. Both can be used to report historical figures or budget future cash flow. The difference between the two documents is the way in which this information is prepared and reported.

Both of these reports include the cash flows received and paid out for loans and owner investments, as well as the purchases of fixed assets. But the primary difference is that the Cash Flow Report records cash activity as it relates to the individual revenue and expense categories such as you would find on an Income Statement. The traditional Cash Flow Statement reports cash activity as it relates to the operating, investing, and financing activities of the business.

**Cash Flow Report** – The monthly Cash Flow Report is one of the most important planning and reporting tools you can use in your business.

Compare the Cash Flow Report to your personal checkbook register. Every time you deposit money into your account or write checks out of the account you record the transaction and keep a running total. In the same way, the Cash Flow Report records every cash entry into your business and cash payment out of the business on a monthly basis. These inflows and outflows are grouped by categories that will affect the other financial statements, such as Equity Contributions, Inventory Purchases, or Operating Expenses.

The advantage of the Cash Flow Report over your regular checkbook register is the way it displays monthly financial activity over time, making it easy for you to analyze past fluctuations in cash flow in the year and predict future ones for next year.

The Cash Flow Report can help you with day-to-day cash budgeting. You need cash flow analysis because a delay usually occurs between the time you pay out cash to generate sales (for example, purchasing inventory or paying employees' salaries) and the time you actually receive cash from those sales—also called the cash cycle. Since typical sales transactions have a cash cycle of days, weeks, or even months, you will need to locate additional funds to keep the business running while waiting for the cycle to be completed.

Fortunately, cash flow planning is simple in concept, although coming up with the numbers can involve considerable work. Cash flow is exactly what its name implies: the anticipation of cash as it flows into and out of the company. Only cash transactions are included in this analysis. You can ignore non-cash accounting entries such as Depreciation and Amortization which do not appear on the Cash Flow Report.

The Cash Flow Report lists the sources of cash expected to be received into the business on a monthly basis. This list includes cash sales, collections from accounts receivables, equity contributions from owners, and loans from either owners or outside sources. The cash you expect to receive is added to the cash balance remaining from the prior month to total the cash available for that month. You deduct all items paid for with cash from the total cash available to identify the cash balance at the end of the month. This amount must always be above zero. In fact, you should try to maintain a healthy cushion to cover unexpected differences between budgeted cash flow and actual cash transactions.

Backyard Solutions Cash Flow Report (Projected)		
2005	JAN	FEB
<b>Cash In</b>		
Cash Sales	\$ -	\$ -
Collections from Accounts Receivables	15,504	13,798
Equity Received	-	-
Loans Received	20,000	-
Other Cash In (receipts from other assets)	-	-
Other Cash In (interest, royalties)	-	-
<b>Total Cash In</b>	<b>35,504</b>	<b>13,798</b>
<b>Total Cash Available</b>	<b>45,504</b>	<b>27,000</b>
<b>Cash Out</b>		
Inventory Expenditures		
Inventory/Raw Material (cash)	8,363	8,363
Inventory/Raw Material (paid on account)	-	-
Production Expenses	2,256	2,256
Operating Expenses		
Advertising	-	-
Bank Charges	-	-
Dues & Subscriptions	-	-
Insurance	225	225
Licenses & Fees	215	-
Marketing & Promotion	3,500	200
Meals & Entertainment	1,000	-
Miscellaneous	100	100
Office Expense	150	150
Office Supplies	-	-
Outside Services	70	70
Payroll Expenses		
Salaries & Wages	2,000	2,000
Payroll Taxes	300	300
Benefits	1,000	1,000
Professional Fees	1,200	200
Property Taxes	-	-
Rent	4,200	4,200
Repairs & Maintenance	-	-
Shipping & Delivery	-	-
Telephone	300	350
Training & Development	-	-
Travel	5,000	-
Utilities	500	500
Vehicle	120	120
Leased Equipment	400	400
Other	-	-
Other	-	-
Paid on Account	-	-
Non-Operating Costs		
Capital Purchases	-	-
Estimated Income Tax Payments	-	-
Interest Payments	309	306
Loan Principal Payments	594	598
Owner's Draw	500	500
Other Cash Out	-	-
<b>Total Cash Out</b>	<b>32,302</b>	<b>21,838</b>
<b>Monthly Cash Flow (Cash In – Cash Out)</b>	<b>3,202</b>	<b>(8,040)</b>
<b>Beginning Cash Balance</b>	<b>10,000</b>	<b>13,202</b>
<b>Ending Cash Balance</b>	<b>\$13,202</b>	<b>\$ 5,162</b>

**Cash Flow Statement** – The traditional Cash Flow Statement prepared by accountants reconciles the changes that occur within the Balance Sheet accounts with the cash provided from the operations of the business. The cash flows from investing and financing activities are also reported. Although these statements can be used to budget future cash flows, they are more effective at reporting actual cash activity than at budgeting predicted activity.

<b>Backyard Solutions</b> <b>Statement of Cash Flows for the Year Ending 2005</b> <b>(Projected)</b>	
<b>Cash Flows from Operating Activities</b>	
Net Income	\$ 57,705
Adjustments to reconcile Net Income to Net Cash provided by operating activities:	
Depreciation & Amortization Expense	14,095
Decrease in Accounts Receivable	2,650
Decrease in Inventories	5,730
Decrease in Accounts Payable	(6,834)
Net Cash Provided by Operating Activities	73,346
<b>Cash Flows from Investing Activities</b>	
Purchase of Property, Plant, & Equipment	(25,000)
Net Cash Used by Investing Activities	(25,000)
<b>Cash Flows from Financing Activities</b>	
Proceeds from Loans	40,000
Principal Payment on Loans	(7,026)
Payment of Owner's Draws	(6,000)
Proceeds from Issuance of Stock	25,000
Net Cash Provided by Financing Activities	51,974
Net Increase in Cash	100,320
Cash at Beginning of Year	10,000
Cash at End of Year	<u>\$110,320</u>