



Cash Flow Man

Starting date **Mar-09**
 Cash balance alert minimum **200 000**

Enter data in

| | Beginning | Mar-09 | Apr-09 | May-09 | Jun-09 | Jul-09 |
|-------------------------------|----------------|------------------|----------------|----------------|----------------|----------------|
| Projected Bank Balance | 250 000 | 250 000 | 240 462 | 260 924 | 181 386 | 241 848 |
| CASH RECEIPTS | | | | | | |
| Cash sales | | 720 000 | 600 000 | 550 000 | 720 000 | |
| Returns and allowances | | 250 | 250 | 250 | 250 | |
| Credit Sales | | 46 000 | 46 000 | 46 000 | 46 000 | |
| Interest, other income | | 3 000 | 3 000 | 3 000 | 3 000 | |
| Loan proceeds | | 0 | 0 | 0 | 0 | |
| | | 0 | 0 | 0 | 0 | |
| TOTAL CASH RECEIPTS | | 768 750 | 648 750 | 598 750 | 768 750 | 0 |
| Total cash available | 250 000 | 1 018 750 | 889 212 | 859 674 | 950 136 | 241 848 |
| CASH PAID OUT | | | | | | |
| Advertising | | 8 000 | 8 000 | 8 000 | 8 000 | |
| Commissions and fees | | 5 000 | 5 000 | 5 000 | 5 000 | |
| Medical Aid | | 19 000 | 19 000 | 19 000 | 19 000 | |
| Provident Fund | | 14 000 | 14 000 | 14 000 | 14 000 | |
| Insurance (other than health) | | 5 000 | 5 000 | 5 000 | 5 000 | |
| Bank Interest | | 1 500 | 1 500 | 1 500 | 1 500 | |
| Consumables | | 600 | 600 | 600 | 600 | |
| Transport (Fuel) | | 10 688 | 10 688 | 10 688 | 10 688 | |
| IT Expenses | | 3 000 | 3 000 | 3 000 | 3 000 | |
| Rental | | 30 000 | 30 000 | 30 000 | 30 000 | |
| Leases | | 3 000 | 3 000 | 3 000 | 3 000 | |
| Repairs and maintenance | | 2 000 | 2 000 | 2 000 | 2 000 | |
| Supplies (not in COGS) | | | | | | |
| Taxes and licenses | | | | | | |
| Travel | | | | | | |
| Light and Water | | 4 500 | 4 500 | 4 500 | 4 500 | |
| Wages (less emp. credits) | | 70 000 | 70 000 | 70 000 | 70 000 | |
| Levies (UIF etc) | | 2 000 | 2 000 | 2 000 | 2 000 | |
| Other expenses | | | | | | |
| Other expenses | | | | | | |
| Other expenses | | | | | | |
| SUBTOTAL | | 178 288 | 178 288 | 178 288 | 178 288 | 0 |
| Loan principal payment | | | | | | |
| Capital purchases | | | | | | |
| Creditors | | 550 000 | 400 000 | 450 000 | 480 000 | |
| Reserve (New Projects) | | | | | | |
| Owners' withdrawal | | 50 000 | 50 000 | 50 000 | 50 000 | |
| SUBTOTAL | | 600 000 | 450 000 | 500 000 | 530 000 | 0 |
| TOTAL CASH PAID OUT | | 778 288 | 628 288 | 678 288 | 708 288 | 0 |

Management Tool

YELLOW blocks

Results in GREEN blocks

| Aug-09 | Sep-09 | Oct-09 | Nov-09 | Dec-09 | Jan-10 | Feb-10 | Total |
|---------|---------|---------|---------|---------|---------|---------|-----------|
| 241 848 | 241 848 | 241 848 | 241 848 | 241 848 | 241 848 | 241 848 | |
| | | | | | | | 2 590 000 |
| | | | | | | | 1 000 |
| | | | | | | | 184 000 |
| | | | | | | | 12 000 |
| | | | | | | | 0 |
| | | | | | | | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 787 000 |
| 241 848 | 241 848 | 241 848 | 241 848 | 241 848 | 241 848 | 241 848 | |

| | | | | | | | |
|---|---|---|---|---|---|---|-----------|
| | | | | | | | 32 000 |
| | | | | | | | 20 000 |
| | | | | | | | 76 000 |
| | | | | | | | 56 000 |
| | | | | | | | 20 000 |
| | | | | | | | 6 000 |
| | | | | | | | 2 400 |
| | | | | | | | 42 752 |
| | | | | | | | 12 000 |
| | | | | | | | 120 000 |
| | | | | | | | 12 000 |
| | | | | | | | 8 000 |
| | | | | | | | 0 |
| | | | | | | | 0 |
| | | | | | | | 0 |
| | | | | | | | 18 000 |
| | | | | | | | 280 000 |
| | | | | | | | 8 000 |
| | | | | | | | 0 |
| | | | | | | | 0 |
| | | | | | | | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 713 152 |
| | | | | | | | 0 |
| | | | | | | | 0 |
| | | | | | | | 1 880 000 |
| | | | | | | | 0 |
| | | | | | | | 200 000 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 080 000 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 793 152 |

Income Statement

| | This Year | Last Year | % L/Y |
|-----------------------|--------------------|--------------------|--------------|
| Sales | R 9 642 658 | R 8 809 229 | 9.5 |
| Cost Of Sales | R 6 146 933 | R 5 868 315 | 4.7 |
| Open Stock | R 1 313 027 | R 1 107 219 | 18.6 |
| Purchases | R 6 193 906 | R 6 174 123 | 0.3 |
| Closing Stock | R 1 360 000 | R 1 413 027 | -3.8 |
| GROSS PROFIT % | R 3 495 725 | R 2 940 914 | 18.9 |
| GP % | 36.3 | 33.4 | 8.6 |
| Sundry Income | R 154 987 | R 194 772 | -20.4 |
| Directors Salaries | R 300 000 | R 200 000 | 50.0 |
| Int. On Loan Accounts | R 1 | R 1 | 0.0 |
| Operating Expenses | R 2 910 229 | R 2 876 556 | 1.2 |
| Net Profit | R 440 482 | R 59 129 | 645.0 |
| Nett Profit % | 4.6 | 0.7 | 580.6 |

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Inventory Days

| | |
|-----------------------|-------------------|
| Stock on Hand | R 1 500 000 |
| Cost of Sales | R 7 200 000 |
| Inventory Days | <u>76</u> |
| Stock Turns | <u>4.8</u> |

The input may be at any inventory level (department or product group). This figure is important when maximum and minimum stock level must be set. Consideration must be given for supplier lead time when setting minimum stock levels (sometimes call the re-order point).

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Stock Efficiency Index (SEf)

| | |
|-------------------------------------|---------------------|
| Stock Turns | 4.8 |
| GP% | 28.0 |
| Stock Efficiency Index (SEf) | <u>134.4</u> |

This is the product of annualized stock turns and gross profit %. Ideal value is between 130 and 180, outside of this range requires interrogation. If lower, the profit is not sufficient or an overstocked situation is apparent. Higher may indicate an under stocking situation or too high margin. Remember this is only an indicator and should be used as a flag for investigation.

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DEBTOR DAYS

| | |
|---------------------------------|--------------|
| Trade Debtors | R 1 000 000 |
| Last 12 Months Sales | R 10 000 000 |
| Debtors Days Outstanding | 37 |

A most important cash flow indicator as it illustrates how long it will take to collect any debt at the current rate of payments. A critical advantage of this method is that it includes cash sales.

CREDITOR DAYS

| | |
|----------------------------------|-------------|
| Trade Creditors | R 700 000 |
| Last 12 Months Purchases | R 7 200 000 |
| Creditor Days Outstanding | 35 |

As important as above, for positive cash flow management this figure should be higher than the debtor days. In a cash flush business extra discounts may be negotiated for prompt payment which negates this issue.

Settlement Discount Value

| | |
|---------------------------|--------------|
| Reduced Term (days) | 23 |
| Payment Due (R) | R 100.00 |
| Discount (R) | R 7.50 |
| Cost of Discount % | 128.7 |

Settlement incentive discounts add up to much more than anticipated and should be accounted for when costing selling prices.

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Margin of Safety

| | |
|-----------------------|-------------|
| Nett Profit in Rands | R 20 000 |
| Gross Profit in Rands | R 60 000 |
| esf1111 | 33.3 |

[esf1111](#)

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Breakeven Sales

| | |
|------------------------|------------------|
| Monthly Fixed Costs | R 150 000 |
| Current GP% | 50 |
| Breakeven Sales | R 300 000 |

The breakeven point is the volume of sales at which there is **no profit or loss**

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Gross Profit

| | |
|-----------------------|-------------|
| Selling Price | R 75.00 |
| Cost Price | R 50.00 |
| Profit | R 25.00 |
| Gross Profit % | 33.3 |

This is what management and accountants use when analyzing performance

Markup

| | |
|-----------------|-----------|
| Selling Price | R 75.00 |
| Cost Price | R 50.00 |
| Profit | R 25.00 |
| Markup % | 50 |

This is more logical to staff and is used mainly to determine selling prices

| Price Change Effect | |
|-----------------------------------|----------------|
| Old % | R 200.00 |
| New % | R 120.00 |
| Sales Change % | 67 |
| | |
| Old Price | R 20.00 |
| New price | R 25.00 |
| % Change OLD PRICE | 25 |
| | |
| Desired Selling Price (incl. VAT) | R 99.95 |
| Cost (excl. VAT) | R 50.00 |
| Profit | R 37.68 |
| GP% | 43.0 |
| MU% | 75.4 |

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Acid Test Ratio (Quick ratio)

| | |
|-------------------------------|------------|
| Outstanding Debtors | R 220 000 |
| Cash In Bank | R 200 000 |
| Other Short Term Debtors | R 15 000 |
| Outstanding Trade Creditors | R 250 000 |
| VAT or Tax Currently Due | R 15 000 |
| Other Short Term Expenses Due | R 55 000 |
| Acid Test Ratio | 1.4 |

The ratio of current assets (less stocks) to current liabilities is known as the ACID TEST. This ratio is an excellent measure of how well a company can cover its short-term commitments, as we are only dealing with current assets which can be turned into cash immediately. The ratio tells us how much of the company's short term debt can be met. A ratio of **less than one** means a company will **struggle** to meet its immediate obligations, whilst a value over 2.0 generally indicates no short-term trading problem.