Financing needs of cyrus brown

B. In order to make reasonable estimates about financing needs of Cyrus Brown Manufacturing (CBM), an insight into the cash inflows and outflows within the given period (March till November, 2004) is needed.

As it is evident from the schedule, the company will not need any outside financing. The total cash inflow for the period is positive. The only three months when the inflow is negative are March, April, and June. However, the remaining six months compensate for the resulting cash shortage. It should be further noted, that depreciation expense was excluded from the cash inflow/outflow analysis due to the fact that it does not involve any cash expenditures or incomings.

C. Consequently, Cyrus Brown Manufacturing will not need any minimum or maximum line of credit since the future prospects are positive. The only reason why external financing or line of credit might be needed is extraordinary events that might result in cash outflow.

D. The first conclusion that can be made on the nature of the company is the seasonality of the products sold by the company, since one can see a rise in sales with the culmination in September alongside with the downfall in October and November. Another issue that should be considered when analyzing the financial situation of the company is the lump-sump payments made in June and September. While the ending monthly cash balance changes independent of the amount of sales, when considering the payments made in June and September, the increase in ending cash balance would be gradual and logical. Thus, when keeping in mind these two major issues, there is no reason to doubt financial situation of Cyrus Brown Manufacturing.

E. It would be profitable for a bank to have Cyrus Brown Manufacturing as a client. Even though the company does not need external financing for operational activities on a day to day basis, the cash budget shows positive cash inflow, which is a firm enough reason to consider the organization to be healthy (Rujoub, M. Cook, D. Hay, L. 1995). Consequently, the company is able to pay the potential credit it might be given and, going even further than this, it is most likely to need one in the future for capital investment when expanding as a natural tendency when a company's financial situation is good (Edwards, C. 2003). It should be noted, that to make reasonable estimates about the financial position of the company a comparative analysis of the companies in the industry should be conducted.

References

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