

Finance essays examples

[Business](#), [Marketing](#)



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GP Finance

GP Finance

CBM Cash Budget

For the nine months ending November

Note – 1: Payment received in first month is 25% of sales, in second month is 55% of sales and in the third month 20% of payment is received.

Note – 2: Depreciation has no cash effect. It is not a cash expense.

Therefore, it is not included in the calculation on the Cash budget.

CBM must arrange finance from the outside out the business to meet their monthly expenses. The main reason for arranging finance from other sources is that the business has the fixed expense of \$60, 000 per month regarding salaries, lease and miscellaneous expenses. In these circumstances, management of CBM must consider the loan arrangements from the banks. The overdraft facility or the short term loan facility of the bank will assist the management to control the fixed expenses.

The minimum level of the credit must be \$60, 000 per month, which is the fixed expense of the CBM. However, it is very important for the management to control the expenses of the business to improve the cash inflows of the

business. The ‘miscellaneous expenses’ must be reduced because it is possible to control these expenses as compared to the lease and salary expenses.

The weak point of the CBM management is that the management of the business is paying too early of their suppliers as compared to collecting money from the buyers. The credit period of the CBM is almost nil. However, the debtor’s period is three months which are creating cash problems for the business. Therefore, it is important for the management of the CBM, to improve their debtor days and try to hold the funds of creditors.

On the basis of cash inflows for the CBM, the bank must entertain CBM for the financing purposes. The sales of the CBM are increasing each month and the capital investments in June, is an indication of future cash inflows.

Therefore, the element of good future cash inflows and profits, the bank must create good business relations with CBM. However, the bank must advise the management of the CBM to improve their funds collection period of three months to improve the cash management of the business.

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