

The following report
analyses the cash
flow forecast situation
for Strobe Leisure...



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The following report analyses the cash flow forecast situation for Strobe Leisure plc and will cover the following areas: -* An explanation of the purpose of a cash flow.* An explanation of why a company such as Strobe needs a cash flow forecast.* A six-month cash flow forecast for Strobe Leisure plc.* An analysis of Strobes cash flow forecast situation at present.* Final recommendation and conclusion.

Main findings section 1: An explanation of a cash flow forecast. Drawing up a cash flow forecast shows whether there is enough cash available to pay salaries and settle debts on time. It calculates the firm's reserves, which could be invested in expansion projects or new equipment. Accountants identify when short falls are likely to happen, and surplus funds are likely to become available. From the cash flow forecast the managers will hope to for see any possible cash flow problems and overdrafts might be needed.

Main findings section 2: An explanation of why a company such as Strobe needs a cash flow forecast? Strobe leisure will be able to forecast and predict when they might face a liquidity problem. Strobe will list all the inflows and outflows of cash that appear in the budget. Strobe will see whether an overdraft is needed or another short term finance is needed. The forecast will need to be monitored to monitor any unexpected cash flows. It is useful to know when a business is in trouble so Strobe can plan and there won't be a sudden panic when there is trouble.

Main findings section 3: A six month cash flow forecast for

Strobe

July	August	September	October	November	December	Opening bank
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balance	100, 000	Cash inflow	sales	£ 42, 000	£ 34, 000	£ 40, 000	£ 44,
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000; 48, 000; 50, 000 Total receipts; 42, 000; 34, 000; 40,
 000; 44, 000; 48, 000; 50, 000 Cash outflows Purchases; 26,
 000; 24, 000; 20, 000; 22, 000; 20, 000; 19,
 000 Expenses Wages/salaries; 5, 000; 5, 000; 5, 000; 5, 000; 5,
 000; 5, 000 Rent/rates; 1, 000; 1, 000; 1, 000; 1, 000; 1,
 000; 1,
 000 Insurance; 500; 500; 500; 500; 500; 500 Light/heat; 400;
 400; 400; 400; 400; 400 Telephone; 100; 100; 100; 100;
 100; 100 Repairs; 200; 200; 200; 200; 200; 200 VAT; 100 H
 P/leasing charges; 150; 150; 150; 150; 150; 150 Interest on
 loan; 30; 30; 30; 30; 30; 30 Loan
 repayments; 200; 200; 200; 200; 200; 200 Sundry
 expenses; 300; 300; 300; 300; 300; 300 Total
 repayments; 33, 880; 31, 880; 27, 980; 29, 880; 27, 880; 26,
 980 Net cash
 flow; 8120; 2120; 12020; 14120; 20120; 23020 Opening bank
 balance; 100, 000; 108, 120; 110, 240; 122, 260; 136380; 156,
 500 Closing bank balance; 108, 120; 110, 240; 122, 260; 136,
 380; 156, 500; 179, 520 Main findings 4: An analysis of Strobe's Cash
 flow forecast situation at present. Strobe Leisure do have a healthy cash
 flow, a lot of profit is being made. At no point in the cash flow forecast they
 are overdrawn at any stage, this is because there is a healthy profit coming
 in every month. If Strobe did become overdrawn at any point due to low
 profits. They could either take a short term loan out, they could cut costs or
 take an overdraft.

Main findings section 5: Recommendation and conclusion
Overdraft This is frequently used by businesses to provide finance for working capital. The overdraft is often used as a short term solution to cash flow problems.

Advantages
1 The business only pays interest on an amount overdrawn each day.
2 Cheap way of borrowing.
Disadvantages
1 Must be paid back with interest.

Short term loan These include starter loans which provide short-term finance for a new business.
Advantages
2 It's quick to arrange
Disadvantages
3 Must be paid with interest, security is usually required.
Cut costs
Money can be saved by cutting down on material bought.
Advantages
4 Reduces storage cost of high stock levels
Disadvantages
5 It must be done carefully to meet customers orders.
An overdraft should be taken as it's the cheapest option, and interest only has to be paid on the amount of days taken.

It's quick to get and no security is needed.