Financial Planning

Accounting & Finance

Forecasting the funding a plan will actually need.

Building a funding forecast.

1. **Forecast revenue**
   By volume and price, with the assumptions written down.
2. **Derive the cost base**
   Variable costs by driver, fixed costs by step.
3. **Project working capital**
   Receivables, inventory and payables move with revenue.
4. **Add capital expenditure**
   The assets the plan requires and their timing.
5. **Build the cash flow**
   Month by month, to find the low point, not the year end.
6. **Size the facility**
   Fund the trough with headroom, not the average.

Annual figures hide the trough. A business can end each year in surplus and still run out of cash in month seven.