

CRISIS MANAGEMENT

CASH FLOW BUDGET STEPS

STEP 1

Decide how long the emergency might have a significant impact on your cash flow.

STEP 2

Estimate the number of customers or sales units (for each of your areas of income - e.g. meals, tours, accommodation, equipment hire) you could expect to attract/sell for a weekly, fortnightly or monthly forecast period.

STEP 3

Multiply the customers/sales units by the actual (or average) price of each unit, to give the likely sales income.

STEP 4

Calculate when this sales income will actually be paid to the business' account, taking into account any deposits, cash payments, credit card payments, etc.

STEP 5

Identify and add up all the expenses that must be paid in each week/fortnight/month. Separate the expenditure into fixed costs (those that will occur regardless of your situation) and variable costs (those that are linked to the number of sales).

STEP 6

Calculate the surplus or deficit for the week/fortnight/month. If there is a deficit, consider whether it can be covered by any cash you have on hand, or by an overdraft or other credit facility.

BACKTRACK 1

Review the number of sales units. Is there enough time to establish marketing strategies to increase sales with special offers or add-ons? Add in any extra units you could expect to sell, and recalculate Steps 2-6.

BACKTRACK 2

Review when the sales income is likely to be received into the business. Are there any opportunities to increase income during the emergency projection period by paying incentives for cash payments, or by temporarily reducing the normal payment terms? Add in any changes to the timing of when income is to be received, and recalculate Steps 4-6.

BACKTRACK 3

Look at each expense item and ask whether any expenses could be deferred, reduced or avoided altogether without impacting on your business' reputation or future sales.

Deduct any changes to expenses and recalculate Steps 5-6.

IS THE RESULT MANAGEABLE/ACCEPTABLE?

NO

YES

FINAL STEP

When a satisfactory and manageable result is obtained, finalise and print out the budget.



IS THE BUDGET OFF TRACK AT ANY TIME?

YES

NO

END