

A photograph showing several business professionals in a meeting. They are gathered around a table, looking at and pointing to various financial charts and documents. One person is holding a pen over a document. The charts include a line graph with multiple colored lines and a bar chart. The overall scene is professional and collaborative.

# Budget and Cash Flow Projections

**All businesses should have both a budget and cash flow projection prepared, reviewed and regularly updated to reflect changes. We consider these tools essential to creating a profitable business as they require the business owner to think ahead and make changes before it's too late.**

## **HAVE YOU EVER FOUND YOURSELF WONDERING**

- Do I have enough cash to pay my expenses each month?
- Am I holding too much stock?
- Is this the right time to expand my business?
- What are the optimal working capital requirements for my business?

If so, then this service is for you because we provide you with accurate, timely and informative cash flow forecasting reports which allow you to:

- Plan and prepare for expansion, stock control and taxes

- Analyse and anticipate key expenses
- Understand when cash is available

We will then work with you to develop action strategies to improve your bottom line and cashflow.

The differences between a budget and a cash flow projection are often confused, so we have explained them in the simplest way possible.

## **BUDGETS**

A budget is a forward projection of expected profit from income less the costs of running the business during the year. They are shown in terms of profit and loss in a similar way to the end of year compliance accounts. These often take into account debtors, creditors, stock levels, accruals and depreciation, but do not consider cash levels in the bank account at any point in time. A well prepared budget is essential to creating an accurate cash flow plan.

A budget also provides the business and its employees with a target to aim for. Preparing a budget and notifying your employees of the actual versus the target may also improve employee productivity.

# Budget and Cash Flow Projections

## CASH FLOW PROJECTIONS

A cash flow projection is a plan that shows you how and when your income goes in your bank account and when (and if) you are able to pay for purchases from suppliers, GST and PAYG to the ATO, and other overheads such as rent and wages. Why do businesses fall short with cash? Because they often order and pay for purchases or pay wages well before they receive payment from customers. A well prepared cash flow projection will show you if this will be the case.

A well planned cash flow forecast allows the business owner/s to see the effect the above items have on cash flow in advance.



"When running a business, cash flow management is crucial. Being able to look at what our expenses are each month allows us to plan future expenditure at optimal times as well as look forward to see what projected profit will be. This allows us to manage our tax planning before the end of the financial year.

By utilising the Budgets and Cash Flow Projection services offered by Nexis, our business is being managed better than before, but the true benefit comes from knowing and understanding our business now and in the future. By using Budgets and Cash Flow Projections, it allows us to make informed business decisions. Thanks Nexis, your input has been invaluable."

*Craig Green  
Greens Associates*

**Survival in today's business climate requires you to spend more time working on your business rather than in your business. Budgets and cash flow projections are one way of staying ahead of the game.**

