SUNNY HOMES MORTGAGE BROKERS OF CANADA

Cash Flow Planning

Commercial Mortgages

We straighten the CURVES of mortgage financing™

Cash flow forecasting for commercial purposes is the starting point of a successful business venture. It can be the difference between success and failure of the business and allows businesses to be prepared for future uncertainties.

The Steps

- **Determining your annual cash inflows**
- **Determining you annual cash outflows**
- **Forecast your annual net cash flows**
- **Analyze your cash flows and determine a course of action.**

Helps determine flexible solutions for your business needs

Planning for cash flows requires you to be personally involved. You can's leave it for others to do it for you. Since its your business , you would know all the assumptions you will make to establish a successful business. Accountants can provide guidance and professional opinion, but ultimately it is you who has to know about your future cash flow needs.

Cash flow planning for commercial/business purposes requires you to understand your operations from a cash accounting perspective. Although, accrual accounting records revenues and expenses when the economic event takes place not when cash is received or paid out, however when performing a cash flow analysis one should look for when cash is going to come in and when it will go out. This is the essence of forecasting cash requirements for the business or any other commercial purpose.

STEP 1: Determine your cash coming

- Establish the amount of cash from revenue the business will generate every month.
- Determine all other cash receipts you might receive such as GST refund, insurance or other claims, tax refund etc.
- Determine how much accounts receivable that you provide will be converted to cash on a monthly basis. You can create an "aged" list of all your receivables which breaks down the receivable into 30, 60 and 90 days .

STEP 2: Determine cash out flow:

- Determine your monthly expenses. Paid out in cash. Break it down in different categories, such as, fixed expenses like rent, insurance, payroll etc.
- Determine your variable costs such as office supplies, utilities, gas , in-

STEP 3: Calculating Net Cash Flow

- Subtract your total cash outflow from Step 2 from total cash in from Step 1
- The Net amount can be a positive or negative amount
- A positive net cash flow represents surplus cash position
- A negative cash position represents a deficit cash position

STEP 4: Perform Net Cash Flow Analysis and monitor cash flows on an ongoing

NET CASH FLOW ANALYSIS

Once you have calculated your net cash position then you must analyze the situation and look for alternatives.

Positive Net Cash Flow Position:

- ⇒ Can I pay extra towards outstanding loan
- ⇒ How much should I save for rainy days
- ⇒ Invest the cash in short-term investment

Negative Net Cash Flow Position:

- ⇒ How can I finance the negative cash situation
- ⇒ Should I pull out money from any reserve or invest or provide a short-term loan.
- ⇒ Should I borrow from line of credit or bank. Note there would be interest costs
- ⇒ Should I cut some discretionary expenses for the future such as eating out, buying clothing etc.

Monitor Cash Flows on an ongoing basis

- ⇒ Monitor all your cash flows on a monthly basis.

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