



IpsumVision

# Cash flow planning

Most of us have been hit by Covid-19. Talking about starting over and getting back to comfortable financial situation, you need to know the exact Cash Flow needed for every month of the coming year. It is very important because it will help you make your decisions based on your current cash flow but also what will happen in a couple of months. And more important, during the meeting at the bank, you show that you are a professional knowing your business in detail (having all the figures available to explain when is the highest cash flow need and why by having resources and expenses detailed)

Convinced? Pull up your sleeves and let's do it!

## 1. Starting from last year's bank statements

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The key is to get all the bank statements from the previous year. The bank statement provide the perfect information (amount and date) to describe every transaction impacting the cash flow.

## 2. List the hierarchical categories of Resources

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List the resources of income and class them in categories. You can have for example one category per crop. It all depends on the level of accuracy you want to achieve. As usual, It is better to start with a simple but efficient cash flow plan than nothing. You can improve it over time.

## 3. List the hierarchical categories of Expenses

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Isolate and group the different expenses in categories.

In this part, you have the **production expenses** that you can separate by crop. Usually, I create another level with all the different input kinds (fertilizers, containers, chemicals, cuttings...).

Then you have **labour cost**. If you are a master in costs, you might have the labor per crop and you can affect part of the labor regarding the crop in the production expenses. Anyway, some labor doesn't depend on the crops (clerc, management, marketing...) and has to stay in this category.

Then you have the **taxes**, HST/GST, Payroll taxes and business tax return...

**Energy expenses** (gas, Electricity...)

**Maintenance** might be split in sub-categories according to your facility (Watering system, Shipping line...).

It is always interesting to get last year's expenses because it gives you a pretty close idea of what it will be this year. Make sure you separate maintenance from investments (which can be covered with a loan)

**Administration expenses :**

- **Accountant**
- **Bank charges and interests**
- **Loans terms**

...Plus any of the expenses that are not listed above because specific to your business and make sense for you to include.

## **4. Implement the excel sheet to make your calculations**

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First part of the lines cover the previous month balance.

Second part of the lines will be your bank account balance.

Third part of the lines will cover the resources (with a total at the bottom).

Fourth part of the lines will cover the expenses (with a total at the bottom).

For the columns, I usually go by the month but you may decide to be more accurate like biweekly if you want.

## **5. Populate your excel sheet using your bank statements**

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Then start the longest part. getting any resource and any expense of the bank statement and affect it to one cell in your excel sheet.

An example of the spreadsheet is provided on the next page.

Now you have a reliable tool to forecast your cash flow needs. you can make your management decision.

But even better, during the year, you can compare the forecast with the real situation to make sure all expenses are under control.

**“I am using this tool on my own farm for years and it is always peace of mind when you planned everything. You then make wise management decisions to push your company to its maximum profit.”**

**At IPSUM Vision, we are here to help you implement it if necessary.**

**If you want the digital copy of the excel sheet, please send me a request by email : [sebastien.leroux@ipsumvision.com](mailto:sebastien.leroux@ipsumvision.com).**

**Want our support to implement it in your business?**

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		June 2020	July 2020
Previous month balance	Report		
Bank statements	Bank X		
<b>Beginning of Month</b>	<b>AVAILABILITY</b>		
Sales	Crop A		
	CropB		
Grants	Grants		
<b>RESOURCES TOTAL</b>			
Crop A	Cuttings		
	Soil		
	Fertilizers		
	Labour		
Energy	Gas		
	Electricity		
Labour	Payroll		
	Payroll taxes		
Bank	Interests		
	Loan terms		
Government	HST/GST		
	Tax return		
Plans/Subscriptions	Phone		
	Internet		
	Maintenance		
Maintenance	Greenhouse		
	Shipping line		
<b>EXPENSES TOTAL</b>			
<b>End of Month</b>	<b>AVAILABILITY</b>		