

## *Week 6 - Financial Forecasting - Cash Budget*

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Management needs to know when cash is likely to be in surplus and when it is necessary to borrow.

The cash budget is an estimate of cash inflows and outflows at fixed interval over a future period. Cash budget is a tool, in which it allows for planning in future.

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What is cash budget?

A cash budget is a detailed forecast of expected cash receipts, payments and balances over a budget period. Cash forecast can be for:



**Short-term:** monthly / weekly / daily cash forecast

**Long-term:** 2-monthly / quarterly / half-yearly / annually /  
3-year forecast

# Week 6 - Financial Forecasting – Cash Budget

<b>Cash receipts</b>		<b>Jan</b>	<b>Feb</b>	<b>Mar</b>
Cash sales				
Receipts from debtor	x	x	x	
Issues of shares (additional capital)	x	x	x	
Sale proceed from disposal of assets	x	x	x	
	(A)	x	x	x
<b>Cash payment</b>				
Cash purchases		y	y	y
Payments to creditors		y	y	
Salaries / Wages		y	y	y
Overhead expenses		y	y	y
Acquisition of assets	y	y	y	
Interest paid		y	y	y
Tax paid		y	y	y
	(B)	y	y	y
Surplus / Deficit (A – B)		z	z	z
Balance b/d		z	z	z
Balance c/d		z	z	z