

## THE CASH BUDGET

### AN EXAMPLE OF HOW TO PREPARE A CASH BUDGET STEP-BY-STEP

#### How to Prepare a Schedule of Cash Receipts

**Scenario:** Roger's Convenience Stores have six locations. Roger would like to expand to eight locations. In order to do this, Roger needs a bank loan or a loan from another financial lender. Roger's banker has agreed to lend the money if the firm can present an acceptable three-month financial plan for June through August. Here are the firm's sales figures:

#### Sales Forecast Schedule

Actual Sales		Forecast			
April	\$ 218,000	June	\$ 298,000	Sept forecast	\$ 348,000
May	238,000	July	338,000		
		August	358,000		

**More Information on Cash Receipts (Sales Receipts):** Of the firm's sales, 40 percent are for cash and the remaining 60 percent are on credit. Of credit sales, 30 percent are paid in the month after sale and 70 percent are paid in the second month after the sale.

#### Roger's Convenience Stores

#### Schedule of Cash Receipts (Sales Receipts)

	April	May	June	July	August	Sept
Sales <sup>1</sup>	218,000	238,000	298,000	338,000	358,000	348,000
<b>Cash Sales <sup>2</sup>(40%)</b>	87,200	95,200	<b>119,200</b>	<b>135,200</b>	<b>143,200</b>	139,200
Credit Sales (60%) <sup>3</sup>	130,800	142,800	178,800	202,800	214,800	208,800
<b>Collections (lagged 1 mth – 30%)<sup>4</sup></b>		39,240	<b>42,840</b>	<b>53,640</b>	<b>60,840</b>	64,440
<b>Collections (lagged 2 mths – 70%)<sup>5</sup></b>			<b>91,650</b>	<b>99,960</b>	<b>125,160</b>	141,960
Total Cash Receipts			\$253,600	\$288,800	\$329,200	

<sup>1</sup>The Sales row is taken from the Sales Forecast Schedule. June, July, and August are bolded because that is the data the bank wants to see.

<sup>2</sup>Cash sales are made in the month of sale. Multiply 40% by the total sales and fill in this row.

<sup>3</sup>The Credit Sales row should NOT be added in when you determine total cash receipts. It is there for your use when calculating the two Collections rows. In order to calculate Credit Sales, multiply 60% by Sales and fill in this row.

<sup>4</sup>The Collections (lagged 1 mth – 30%) line refers to collecting your credit sales. For example, 30% of your credit sales are collected the month after sale. Multiply 30% by your sales the month after you make the sale and fill in that row.

**Summary:** Add the bolded lines together and you have your cash receipts for the period the bank wants! You can adjust this Schedule of Cash Receipts to meet your needs. Here's a blank form you can print out and use!