Creating a cash flow forecast is easy, and only takes a few minutes each week to keep up to date. Set aside a regular time to enter every single dollar in and out. Do it at the same time each week, and it will soon become a good habit. The information you'll get from your forecast will be invaluable in running your business.

Below is a screenshot of a part of a cash flow forecast, showing the basic idea behind it – total receipts (income) less the business expenses. You can find a template that you can use for your own business in the Tools section of YourBusinessNetwork.

Cash flow forecast template (Monthly)

Select a month to start	July	Aug	Sept	Oct	Nov
Receipts					
Sales	11,000	7,000	8,000	1,000	6,000
Other revenue	1,000	3,000	0	0	1,000
	0	0	0	0	0
	0	0	0	0	0
Total receipts	**12000**	**10000**	**8000**	**1000**	**7000**
Less payments					
Direct costs					
Materials	3,000	5,000	3,000	2,000	1,000
Stock	2,000	10,000	2,000	4,000	8,000

Four steps to creating an effective cash flow forecast

Step 1

List any regular expenses you incur every month, such as rent of premises, wages, telecommunications (including internet) and insurance. You need to track every cent you spend, so check bills off against a recent bank statement. Group similar expenses together to aid simplicity; for example put desk phones, mobiles and internet together as 'Telecommunications'.

Step 2

Enter the expenses into the expenditure part of the forecast. Copy these figures across for the other 11 months if you think the costs will remain at the same level. If you think any costs will change, type in what you estimate the costs will be for each month.

Step 3

Estimate your revenue per month, and enter it into the cash flow forecast. Again, grouping similar types of revenue together helps to keep your cash flow forecast simple.

Step 4

Get the opening bank balance for this month (from your most recent statement or via online banking). Enter this figure in the yellow box at the bottom of the forecast. Each month, ensure the bank statement and the forecast match – the forecast is a great way to spot any anomalies with your account.