

FORECASTING CASH

	Agenda
	What Is Cash Forecasting?
	Forecasting Concepts and Frameworks
	Gathering Data
	Forecasting Models
	Questions and Answers

		
	<h1>WHAT IS FORECASTING AND WHY DO WE DO IT?</h1>	

	<p>Management needs to know when money is projected to arrive</p> <ul style="list-style-type: none">Paying suppliersPaying employeesRetiring or refinancing debtFunding capital expenditures or acquisitionsPaying dividends or repurchasing stock
	<h2>Purpose</h2>



<h2>Concepts</h2> <p>Factors that will drive your model choice</p>					
<p>Timeframe</p> <ul style="list-style-type: none"> •Short Term •Medium Term •Long Term 	<p>Knowledge of Your Sources of Cash</p> <ul style="list-style-type: none"> •Sales – Timing and Forecasts •Accounts Receivable Portfolio •Discounting •Disputes and Deductions 	<p>Objective</p> <ul style="list-style-type: none"> •Forecast vs. Stretch Objectives 	<p>Business Environment</p> <ul style="list-style-type: none"> •Industry Norms •Seasonality or Cyclicalty •Fiscal vs Calendar Cutoffs •Banking Calendar 	<p>Resources and Systems</p> <ul style="list-style-type: none"> •Historical Data •Data Integrity •System Automation 	<p>Geographical Perspective</p> <ul style="list-style-type: none"> •Local •Regional •Global

	<h2>Frameworks</h2>		
	<table border="0"><tr><td><p>Historical Performance</p><ul style="list-style-type: none">• Analysis of historical activity that is then projected forward<ul style="list-style-type: none">• % of AR• % of Available• DSO• Generally, used in long term forecasts</td><td><p>Portfolio Based</p><ul style="list-style-type: none">• Begin with known available amounts and refined with historical analysis and other known or suspected factors• Generally, only good for short term forecasts</td></tr></table>	<p>Historical Performance</p> <ul style="list-style-type: none">• Analysis of historical activity that is then projected forward<ul style="list-style-type: none">• % of AR• % of Available• DSO• Generally, used in long term forecasts	<p>Portfolio Based</p> <ul style="list-style-type: none">• Begin with known available amounts and refined with historical analysis and other known or suspected factors• Generally, only good for short term forecasts
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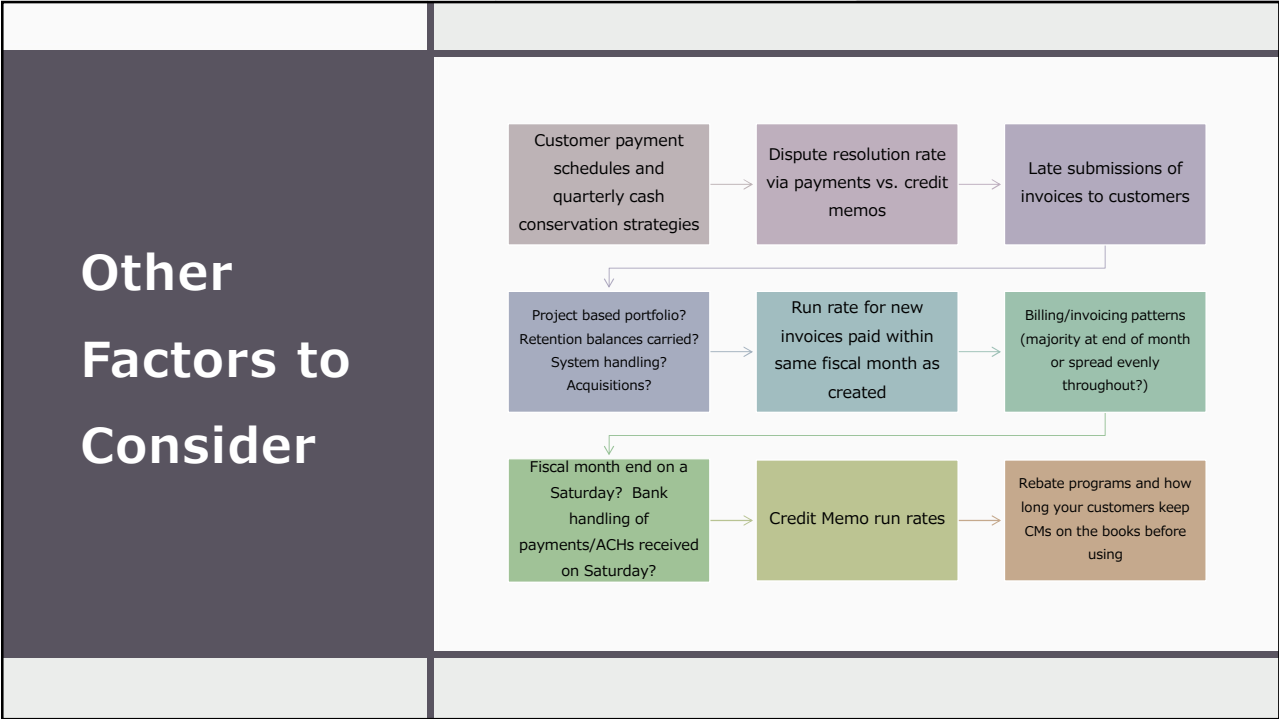
		
	<h2>GATHERING DATA</h2>	





Data Gathering – where do we start?

- Total AR
- Future Due
- Available to collect (current + past dues)
- Run rate of collections as a percent of Total AR or Total Availability
- Past Due percentage run rate
- Deduction run rate and is the historical run rate trustworthy
- Discount run rate and is the historical run rate trustworthy
- Specific key account payment schedules and quarter-end payment freezes
- Sales forecast for the month? Quarter?
- Fiscal Month End

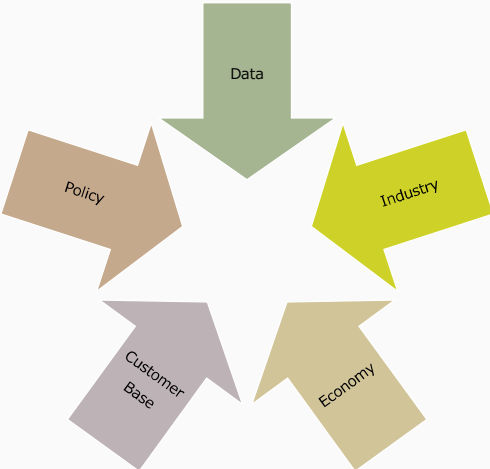
Gathering Data

Historical Performance	Portfolio Based
<ul style="list-style-type: none"> Run rates Percentage of AR collected Percentage of Available collected DSO Past due percentage history Deduction run rates Discounting percentages In-Period sales (short payment terms) 	<ul style="list-style-type: none"> Aging Report with due dates Anomalies in the portfolio Customer payment habits Credit memo issuance and usage Discounting percentages In-Period sales (short payment terms)



- ## Issues, Resources, Tracking - Brittany
- 
What is your software/ERP capable of?
 - 
Ability to enter and track forecasts against actuals?
 - 
Resources – manual or automated?
 - 
Setting targets at the Portfolio or Employee level? Stretch vs. Forecast?

	<p>LET'S LOOK AT SEVERAL MODELS</p>	

<p>So Many Considerations</p>	



	THANK YOU	
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