

# Intermediate Budgeting and Cashflow Planning



# Agenda

- 01** Moving Beyond the Basics

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- 02** Advanced Budgeting Techniques

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- 03** Mastering Cashflow

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- 04** Key Financial Metrics

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- 05** Summary - Intermediate Budgeting and Cashflow Mastery

# Introduction - Moving Beyond the Basics

Now that you understand basic budgeting and cashflow, it's time to use these tools strategically. Intermediate planning helps you make smarter decisions about growth, pricing, hiring, and investment. You'll learn to use your financial data to predict outcomes and optimize your business operations.

- **From reactive to proactive:** Using data to anticipate and plan rather than just record
- **Scenario planning:** Asking "what if" questions with your budget and cashflow
- **Key performance indicators (KPIs):** Metrics that tell you how healthy your business really is
- **Variance analysis:** Comparing what you planned versus what actually happened to improve accuracy



## Practical Tips:

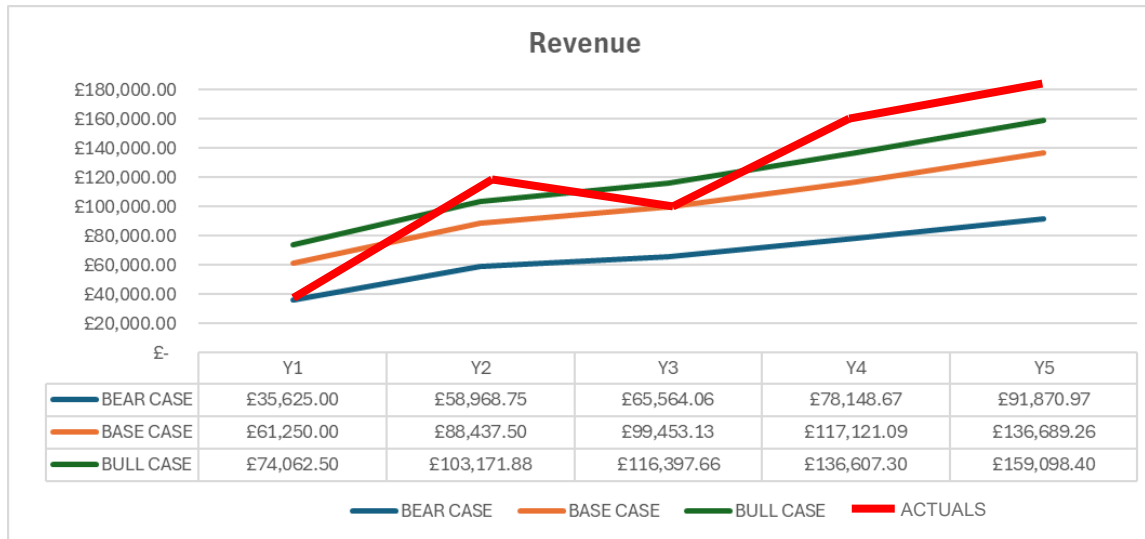
- ✓ Review your actual vs. budgeted numbers monthly to spot patterns
- ✓ Start tracking 3-5 key metrics that matter most to your business
- ✓ Create multiple budget scenarios (best case, realistic, worst case)
- ✓ Use insights from your data to make decisions, not just record history



## Key Takeaways:

1. Good financial planning enables better decision-making
2. Comparing planned vs. actual reveals important patterns
3. Metrics help you measure and manage what matters
4. Scenario planning prepares you for different futures

# Advanced Budgeting - Scenario Planning & Variance Analysis



- Review variance monthly: highlight anything more than 10% off target
- Don't just note variances—investigate why they happened
- Adjust your forecasting assumptions quarterly based on variance trends

## Key Takeaways:

1. One budget isn't enough—plan for multiple scenarios
2. Variance analysis turns mistakes into learning opportunities
3. Consistent variances reveal blind spots in your planning
4. Use variance insights to improve future budget accuracy

## Three-scenario approach:

- **Best case** (optimistic growth, high sales, fewer expenses)
- **Base/Realistic** (based on current trends and historical data)
- **Worst case** (conservative sales, higher costs, payment delays)

## Variance analysis components:

- Budget variance: Planned amount vs. actual amount
- Percentage variance: How far off you were ( $\pm\%$ )
- Are you consistently over/under in certain areas?



Adjust future budgets based on consistent variances

# Mastering Cashflow - Managing Receivables and Payables

Intermediate cashflow management is about actively controlling when money comes in and goes out. By managing receivables (money owed to you) and payables (money you owe), you can smooth cashflow and reduce stress.

## Receivables Management (Income):

- Invoice promptly (same day as delivery/completion)
- Set clear payment terms (CoD, 7, 14, or 30 days)
- Follow up on overdue payments systematically
- Consider deposits or milestone payments for larger projects

## Payables Optimization (Outgoings):

- Take advantage of payment terms without damaging relationships
- Negotiate better terms with regular suppliers
- Pay strategically based on your cashflow cycle
- Avoid early payment unless there's a meaningful discount



## Practical Tips:

- ✓ Send invoices within 24 hours of completing work
- ✓ Offer a small discount for immediate payment
- ✓ Set up automated reminders for overdue invoices
- ✓ Negotiate 30-day terms with suppliers while offering 14-day terms to clients
- ✓ Use accounting software to track receivables
- ✓ Consider upfront payment for bigger projects

## Key Takeaways:

1. Faster invoicing = faster payment
2. Payment terms are negotiable—ask for what helps your cashflow
3. Track aging receivables to catch late payers early
4. Time your payables to preserve cash



# Key Financial Metrics - Every Business Should Track

## What is it?

## Why is it Important?

## What are you looking for?

### Gross Profit %:

Revenue/income minus Cost of Goods Sold (COGS) divided by revenue x 100.

Measures the percentage of revenue remaining after the cost of producing a product or service.

Changes over time. Is gross profit increasing or decreasing. A decrease means that raw materials are costing more. Time to look at alternatives or raise prices?

### Operating Profit %:

Revenue/income minus Cost of Goods Sold (COGS) minus Operating costs divided by revenue x 100.

Shows the percentage of revenue remaining after the cost of running the business.

Changes over time. Is operating profit increasing or decreasing. A stable gross profit and declining operating profit means rent or other expenses are costing more.

### Net Profit %:

Revenue/income minus Cost of Goods Sold (COGS) minus Operating Costs minus Tax and Interest divided by revenue x 100.

Shows the percentage of revenue remaining after all expenses, including taxes and interest.

Changes over time. Are you paying more tax or is there a problem with materials or operating costs?

### Operating Cashflow:

Actual money received minus money paid out.

Is your business generating a positive cashflow over a set period and is that business sustaining.

A negative cashflow or periods when cash is scarce. Can you delay payments, get better payment terms or collect income quicker? Do you need to raise prices?

### Revenue Growth %:

Total revenue minus previous months revenue divided by previous months revenue x 100

This shows whether sales and revenue is growing or declining over time. Growth is always better.

Changes over time, particularly declines in revenue. This should be investigated and understood. Competition or unhappy customers?

Key Performance Indicators (KPIs) act like a dashboard, giving you instant insight into financial health and sustainability. Metrics provide early warning signs before problems become crises.

# Summary - Intermediate Budgeting and Cashflow Mastery

## What You've Learned:

- Scenario planning prepares you for multiple possible futures
- Variance analysis turns budgeting into a learning tool
- Active management of receivables and payables controls cashflow
- Key financial metrics provide instant health checks for your business

## Action for You:

1. Create three-scenario budgets for the next quarter
2. Calculate your gross profit margin and free cashflow
3. Review aging receivables and send reminders for anything over 30 days old
4. Audit payment terms with your top suppliers
5. Set up a simple metrics dashboard to track monthly

## Things to Know and Remember:

- **Create three budget scenarios** - best case, realistic, and worst case to prepare for uncertainty
- **Review variance monthly** - understanding why you're off-target improves future planning
- **Invoice immediately** - every day of delay costs you cash and increases collection time
- **Negotiate payment terms** - shorter from clients, longer to suppliers improves cashflow
- **Track receivables aging** - know who owes what and follow up systematically on late payments
- **Monitor 3-5 key metrics monthly** - your financial dashboard for quick health checks
- **Cash runway is critical** - always know how many months you can operate with current cash
- **Gross profit margin guides pricing** - if it's too low, you can't cover operating expenses and pay yourself
- **Use your cashflow forecast to make decisions** - can you afford that investment? Does the timing work?
- **Build financial review into your routine** - weekly for cashflow, monthly for budgets and metrics



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