Cash Flow Forecasting for Growing Businesses

> *Audience: founders and finance leaders who need reliable visibility into cash runway, lender confidence, and operational decision-making.*

1) Why Cash Forecasting Matters

- Protects runway and prevents surprise shortfalls; informs hiring, pricing, and GTM pacing.
- Builds lender and investor trust with disciplined cadence and variance transparency.
- Enables proactive levers (collections, spend pacing, financing options) instead of reactive cuts.

Our Cash Flow Management Services help you build and maintain robust forecasting.

2) Forecasting Methods

- Direct method: receipts and disbursements at a weekly granularity—best for near-term control and 13-week cash views.
- Indirect method: starts from P&L and adjusts for working capital and non-cash items—useful for monthly/quarterly planning and alignment to GAAP reporting.
- 13-week cash flow: rolling weekly view with actuals vs forecast, triggers, and communication plan.
- 12–18 month monthly plan: supports budgeting, fundraising, and scenario analysis.

3) Inputs & Drivers

- Receipts: AR aging, collections patterns, renewal schedules, usage/billing timing, tax refunds, financing draws.

- Disbursements: AP aging, payroll (salary/bonuses/commissions), benefits, rent, software, vendors, contractors, taxes, debt service, capex.

- Inventory/COGS: purchase cadence, lead times, turns, landed cost, freight.

- Seasonality: demand spikes/dips, renewal cliffs, one-time cash events.

- Systems: GL, billing, payroll, banking, AP/expense, inventory where applicable.

4) Build Sequence

- Data ingestion: pull AR/AP aging, payroll schedule, open POs, pipeline for expected billings, known large events.

- Normalize timing: map receipts/payments to expected week/month; apply historical collection curves.

- Driver assumptions: DSO/DPO targets, payroll cadence, hiring plan, capex plan, tax timings, credit card cycles.

- Scenario setup: base, downside, upside with explicit drivers (churn, sales velocity, hiring pace, pricing).

5) Variance Analysis Loop

- Weekly/Monthly: compare actuals vs forecast at category level; note drivers (timing vs amount).

- Tolerance bands: set thresholds (e.g., +/-5% per category, +/-2% total) to flag investigation.

- Root-cause notes: attribute to collections slippage, procurement timing, unexpected spend, or revenue delay.

- Action log: capture follow-ups, owner, due date; fold into next forecast.

6) Liquidity Playbook

- Facilities: line-of-credit usage plan, borrowing base discipline, covenant tracking, maturity calendar.

- Cash reserves: minimum liquidity policy (e.g., 3 months forward cash burn).

- Treasury basics: sweeps, segregation of operating vs reserve accounts, payment approval flows, dual controls.
- Communication: lender updates, variance explanations, and trigger-based notifications.

7) Working Capital Levers

- AR: invoice accuracy, faster invoicing, clear terms, collections cadences, incentives/fees, dispute handling.
- AP: negotiate terms, batch payments, dynamic discounting decisions, vendor prioritization.
- Inventory: safety stock policy, reorder points, PO approvals, SKU rationalization, dropship/consignment options.
- Revenue timing: prepaid/annual billing strategy, milestone billing for projects, deposit policies.

8) Stress Tests

- Scenarios: delayed funding, demand shock, price change impacts, hiring freeze, supply delay.
- Triggers: automatic actions when cash runway <X months or covenant cushion <Y%.
- Playbook: pre-approved actions (spend freeze tiers, hiring gates, working capital sprints).

9) Governance & Cadence

- Owners: finance lead, AR/AP owners, sales ops for pipeline, budget owners for spend.
- Cadence: weekly cash meeting for 13-week view; monthly for 12–18 month plan; quarterly assumption refresh.
- Distribution: CEO, ops, sales leadership, budget owners, lenders (as applicable).
- Version control: single source workbook or BI model with dated snapshots.

10) Templates

- 13-week cash model structure with receipts/disbursements and variance columns.
- Variance tracker with notes, owner, action status.
- Liquidity dashboard: cash, undrawn LOC, runway, covenant headroom, AR/AP turns.
- Lender-ready summary page with highlights/lowlights and forward view.

11) Call to Action

Want the 13-week template and setup support? Schedule a consultation or request a proposal to get started.

About 1CFO

1CFO provides AI-powered fractional CFO services for growing businesses. We combine strategic financial leadership with modern technology to deliver enterprise-grade finance capabilities at a fraction of the cost of a full-time hire.

Our Services:

- Fractional CFO – Strategic finance leadership
- FP&A Services – Financial planning and analysis
- Cash Flow Management – Liquidity and runway optimization

Resources:

- Free Assessment – Evaluate your finance function
- ROI Calculator – Estimate your potential savings
- All Guides – More CFO resources

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