Cash Budget Notes

Learning Intentions

At the end of this lesson students will be able to:

 Apply my accounting skills and prepare a Cash Budget

Understand the importance of monitoring cash and preparing a cash budget

# Record-keeping is a must

Your mini-company needs to know where it stands financially.

1. Are we making a profit?
2. What are we selling?
3. What are our costs?
4. Do we have sufficient cash – enough to pay our bills as they become due?

### How to Prepare a Cash Budget

Preparing a cash budget is similar to preparing other budgets, in particular the household budget. Most businesses use a cash budget template, either manual, in /Excel or other software package.

A cash budget should list all the incomingand outgoing cash items for the duration of the competition. For each month, list the items and total the figures under the headings Cash Incoming and Cash Outgoing.

|  |  |
| --- | --- |
| Cash In: Receipts  | Cash Out: Payments |
| Capital1. Sales
2. Loans
3. Grants
4. Prize money
 | Cash Purchases1. Purchasing of assets
2. Paying Expenses
 |

### Five Steps to Creating a Cash Budget

1. Prepare a skeleton template and insert **opening cash**.
2. Record all Cash In, month by month and add up to give total receipts.
3. Record your cash out, month by month and total payments
4. Calculate your net cash ( Total cash in – Total Cash out)
5. Calculate your closing cash

### Cash Budget for xxxxxxxxx

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Details | Sep | Oct | Nov | Dec | Jan | Feb | Mar | April | May | Total  |
| Receipts | € | € | € | € | € | € | € | € | € | € |
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| 1. Total Receipts |  |  |  |  |  |  |  |  |  |  |
| Payments |  |  |  |  |  |  |  |  |  |  |
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| 2. Total Payments |  |  |  |  |  |  |  |  |  |  |
| 3. Net Cash [1 – 2] |  |  |  |  |  |  |  |  |  |  |
| 4. Opening Cash | **xx** |  |  |  |  |  |  |  |  | **xxx** |
| 5. Closing Cash [3 + 4] |  |  |  |  |  |  |  |  |  |  |

The opening cash of September is 400

The closing cash of September becomes the opening cash of October.

The opening cash in **total** is the opening cash **of September**

Extract of cash budget to explain opening and closing cash

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | September | October | November | Total |
| 3. Net Cash [1 – 2] | 1,500 | 2,000 |  300 | 3,800 |
| 4. Opening Cash | **400** | 1,900 | 3,900 |  **400** |
| 5. Closing Cash [3 + 4] | 1,900 | 3,900 | 4,200 | 4,200 |