

Quick Start for Cash Flow Analysis

How to use your Custom Excel Workbook

Quick Start Instructions

Here are simple, step by step instructions to get your Cash Flow Analysis working for you as quickly as possible. Just follow the steps below in order and you'll be on your way. ¹

The Quick Start Guide assumes the Cash Flow Analysis does not use Excel database feature for receipts and disbursement accounts. If you chose the database feature when you customized your Cash Flow Analysis, then some input data are on different worksheets than are described in this guide, but the logic is the same.

A Note about Input Cells: Enter input data only in shaded blue cells. In most models, most of these input cells are found on the 'Inputs' worksheet and also on the 'Labels' worksheet. Some blue input cells contain Excel formulas the copy data from adjacent input cells. (For example, if you enter data in the first period, the model will usually copy it to the other time periods to the right.) This feature is a convenience for those inputs that sometimes have repeated values. You can overwrite any formula in a blue input cell; they are just there to provide starting data to get you going quickly.

Step 1: Enter Names of Receipt and Disbursement Accounts

Select the Labels worksheet.

Edit the names of trade receipts accounts, other receipts accounts, disbursement accounts, and business segments² in the bottom section starting around row 100 or 120. (These may already be correct from the customization process. If you want to increase the numbers of accounts or other items in the model, you must return to the ModelSheet website and customize a new spreadsheet.)

Check the start date of the model at the top of worksheet 'Labels' and change it if necessary.

Step 2: Enter Initial Cash Balance Input Data

Select the Inputs worksheet.

1. Enter the initial cash balances, by business segment. (If your Cash Flow Analysis has no business segments, then enter just one cash balance.) (You can remind yourself what this variable does by checking out the Excel comment. Just hover the mouse over the cell to see the comment.)

Step 3: Enter Receipts Input Data

If you are not using the database feature for trade receipts accounts:

(This method records all receipts from one account in one row of data. It does not track individual invoices.)

Select the Inputs worksheet.

1. Enter the amount of cash receipts from each trade receipts account in each time period (in each business segment if you are using segments).
2. Enter the amount of trade receipts from new sales generated in each time period.

¹ You can find more explanation of how the model works under the heading Cash Flow Analysis Explained in a NutShell below.

² The Cash Flow Analysis is optionally segmented into business segments each of which has its own cash flow.

3. Enter the amount of initial trade receivables at the beginning of model time.

If you are using the database feature for trade receipts accounts:

(Trade receipts are tracked with one row of data for each invoice.)

Select the 'Accts Rec' worksheet.

1. Enter the data specified by the field (column) headers. The fields that are needed by the cash flow analysis are Customer, Invoice Amount, Invoice Date, New Sales, Payment Lag, and Segments. The other fields are included to help you track invoices. (The Excel comments in the column headers tell you more about each field.)

For non-trade receipts accounts:

Select the Inputs worksheet.

1. Enter the amount of cash receipts from each non-trade receipts account in each time period (and in each business segment if you are using segments).

Step 4: Enter Disbursements Input Data

For disbursements for employee compensation:

Select the Inputs worksheet.

1. Enter the payroll tax percent and the benefits percent for hourly employees in each business segment (if you are using segments).
2. Enter the payroll tax percent and the benefits percent for salaried employees.
3. Enter the first pay period (expressed as a whole number) and the number of time periods per pay period for hourly employees.
4. Enter the first pay period (expressed as a whole number) and the number of time periods per pay period for salaried employees.
5. Enter the initial amount of payrolls and other employment expenses that are already earned but not paid.
6. Enter the amount of travel and entertainment expense paid in each time period.

Select the Hourly worksheet.

7. Enter the data specified by the field (column) headers. The fields that are needed by the cash flow analysis are Hourly Rate, Standard Hours per Time Period, Start Date, End Date, and Segments. The other fields are included to help you track employees.

Select the Salaried worksheet.

8. Enter the data specified by the field (column) headers. The fields that are needed by the cash flow analysis are Annual Salary, Start Date, End Date, and Segments. The other fields are included to help you track employees.

For disbursements that are tracked by payables account:

(This method records all disbursements to one payables account in one row of data. It does not track individual invoices.)

1. Enter the amount of cash disbursements to each payables account in each time period (in each business segment if you are using segments).
2. Enter the amount of cash disbursements for new purchases in each time period.

3. Enter the amount of initial trade receivables at the beginning of model time.

For disbursements that are tracked by invoice:

(These disbursements are tracked with one row of data for each invoice.)

Select the 'Accts Pay' worksheet.

1. Enter the data specified by the field (column) headers. The fields that are needed by the cash flow analysis are Vendor, Invoice Amount, Invoice Date, New Purchases, Payment Lag, and Segments. The other fields are included to help you track invoices.

Step 5: Enter Assets and Borrowing Base Input Data

(The borrowing base is the amount of assets against which the company can borrow on a line of credit.)

Select the Inputs worksheet.

1. Enter the percentage of eligible accounts receivable that are included in the borrowing base.
2. Enter the amount in ineligible receivables that are excluded from the borrowing base in each time period.
3. Enter the percentage of eligible inventory that is included in the borrowing base.
4. Enter the amount in eligible inventory that is included in the borrowing base in each time period. (The model does not track inventory except to record these amounts that you enter.)
5. Enter the maximum amount of inventory that can be included in the borrowing base (the Inventory Cap).
6. Enter the initial amount of the borrowing base at the beginning of model time.

Step 6: Enter Loan Input Data

1. Enter the cap on the line of credit. (This is the maximum amount the business can borrow regardless of the size of the borrowing base.)
2. Enter the initial loan balance at the start of model time.
3. Indicate whether an asset-based line of credit agreement is active in each time period. (This affects how receipts are handled.)
4. Enter the amount of new funds borrowed on the line of credit in each time period.

Step 7: Enter Bank Float Input Data

Perform this step only if you selected the bank float feature when you customized your Cash Flow Analysis model.

1. Enter the initial amount of bank checking account cash float at the start of model time.

Step 8: Enter Actual Cash Flow Input Data

If you selected the feature for tracking the variance between actual and planned cash flows when you customized your Cash Flow Analysis model, then perform this step.

Select the Inputs worksheet, and go to the section 'Actual Cash Flow'.

1. Enter the initial cash balances at the beginning of model time.
2. As you get actual data, enter actual trade receipts and non-trade receipts for each time period.
3. As you get actual data, enter actual disbursement for employees

4. As you get actual data, enter and other disbursements for each time period. ('Other' in this context means all disbursements except for employees and factoring fees.)
5. If you use the bank float feature, enter the actual cash float on your bank account at the end of each time period.
6. If you use the Factoring feature, enter the actual factoring fees for each time period.

Step 9: See Your Results!

Now that you've entered your data, take a look at worksheet 'Cash Flow', where you can see the starting cash, sources and uses of cash and the ending cash balance in each time period. You can also see the components of sources of cash (trade receipts, non-trade receipts, and receipts from the line of credit if included in your analysis), and uses of cash (employee disbursements and other disbursements).

You can see the comparison of actual and planned cash flow on worksheet 'Cash Flow Act v Plan'.

If you go to the 'Line of Credit' worksheet, you can see a summary of everything that affects your line of credit – the amount borrowed at the end of each time period, the components of the borrowing base, and a summary of the loan transactions in each time period.

If you want to learn more what these quantities mean, read the comment on the table by hovering the mouse over the cell with the small red triangle (which is Excel's way of telling you that cell has a comment). There you'll also find a "formula name" that defines the table. You can look up that name on the 'Formulas' worksheet to see the human-readable formulas that are used to define the values in the table.

Cash Flow Analysis Explained in a NutShell

Your Cash Flow Analysis model has two main reports.

1. A cash flow statement that tracks sources and uses of cash and cash balances. In each time period,

$$\text{starting cash} + \text{cash receipts} - \text{cash payments} \Rightarrow \text{ending cash}$$
2. The advanced versions optionally track a line of credit that is integrated with the cash flow analysis. The line of credit model tracks
 - Loan balances, including paying down the loan with trade receipts, and new loan amounts
 - Borrowing base (the borrowing limit based on eligible trade receivables and inventory)
 - Expenses associated with the line of credit.

The model segments sources of cash into several categories.

- Trade receipts (cash received from customers). These can be tracked in either of two ways:
 - one time series record per receipts account. This is the simpler method.
 - one data record per invoice. Using this method, the model has enough data to assemble a trade receivables aging report. If you select this method, the model locates the receipts data in an Excel database that is on a separate worksheet named 'Accts Rec'.
- Other (non-trade) receipts. These receipts are always tracked with one time series record per receipts account.
- Bank checking account float (optional, Advanced versions only). Data about checks written and cashed is stored on worksheet 'Checks'. The model reports cash flow with and without the float.

The model segments payments and accounts payable into several categories.

- Employee disbursements and payables. These are divided into two groups
 - Hourly employees. The data about hourly employees is store on worksheet 'Hourly'.

- Salaried employees. The data about salaried employees is store on worksheet 'Salaried'.

For both groups of employees, you specify individual employees (or groups of employees), starting and ending dates, salaries or wage rates and standard hours,

- Payments to vendors and vendor accounts payable. The model tracks vendor payment s and accounts payable in two ways.
 - One time series record per payables account. This is the simpler method.
 - One data record per invoice. Using this method, the model has enough data to assemble a payables aging report. If you select this method, the model locates the receipts data in an Excel database that is on a separate worksheet named 'Accts Pay'.

You can track some vendor payables accounts in the simple way and some vendor payables accounts at the invoice level.

Other features:

- You to specify the time range and time grain (such as days or weeks).
- You can segment the model into business units (called 'Segments') so that each part has its own cash flow, and they add to the total cash flow. You get a separate cash flow report and line of credit report for each segment, in addition to the total cash flow and line of credit reports.
- You can optionally include a comparison of actual cash flows with the planned cash flows.

That is basically all there is to it.

Not all features mentioned here are present in the Light and Standard versions of the model.

Where to Get More Information

Read the Excel comment on each table on every worksheet. Each comment contains important information about what the table contains or what it does in the model.

Worksheet 'Formulas' contains a list of the named variables in the model and formulas that define each variable in terms of other variables. This worksheet is often the best way to understand how the entire model fits together.

The user guide for this product contains more information. See

<http://templates.modelsheetsoft.com/modelsheettemplates/cash-flow-templates-user-guide.aspx>

The introductory webpage for the Cash Flow model is

<http://templates.modelsheetsoft.com/modelsheettemplates/cash-flow-templates.aspx>

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