

## Cash Flow Scenario

**Rose and Dan Hughes run a bed and breakfast business in the Cotswolds. They have recently refurbished their premises in time for the summer and to be ready for their busiest time of the year. The refurbishment used all their cash reserves and they know the next nine months will be difficult in terms of their cash flow.**

**Using the cash flow forecast template and the information below, draw up the cash flow forecast for Rose and Dan and comment on their cash position for the nine month period.**

1. They have £500 as their opening balance in April.
2. The projected sales, based on an 80% occupancy rate of their bed and breakfast, are:
  - November and December £1000 per month;
  - April and October £2000 per month;
  - May and September £4000 per month;
  - June £5000 per month;
  - July and August £6000 per month.
3. They expect no other income in the nine months.
4. Their payments are: £650 per month for repaying their mortgage.
5. Drawings for both Rose and Dan will be £1000 per month.
6. Stock (food for meals, coffee, tea and biscuits in rooms) is estimated at:
  - April £500;
  - May and August £600;
  - June and July £800;
  - September and October £400;
  - November £300;
  - December £200.
7. Wages for the staff they employ is estimated to be:
  - April, May, September and October £800;
  - June £900;
  - July and August £1000;
  - November and December £600.

# Cash Flow Forecasts

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8. They plan to spend the following amount on advertising in order to attract customers:
  - April £500;
  - May, July and August £100;
  - June £250.
9. In June they need to pay their insurance for the forthcoming year which will cost them £400.
10. There are many other payments that they have to pay, but individually these are quite low so they have grouped them all together under overheads and calculated the following payments:
  - April, October, November and December £150;
  - May and September £250;
  - June, July and August £500.