**13. Cash flow forecasts Mark: /24**

Whitby Kippers Ltd buys fish from local fishermen. These are then smoked in their own smokehouse and sold through local deli’s and online for next day deliveries across the UK.

Use the information below to complete a 6 month forecast from April to September. /24 marks

* Online customers pay at point of ordering
* Deli customers are given 1 month credit
* Online sales are £12 000 per month
* Deli sales were £6 000 in March and April
* In May, June, July and August deli sales were 30% higher
* Purchase of fish is paid immediately
* Cost of raw materials is equivalent to 25% of sales revenue
* Labour costs are £5 000 per month. This is £500 higher in the peak months when they pay overtime
* Utilities are £400 per quarter with one payment made in April
* All other costs are £550 per month

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | April | May | June | July | August | September |
| Cash in | £ | £ | £ | £ | £ | £ |
| Online sales | 12 000 | 12 000 | 12 000 | 12 000 | 12 000 | 12000 |
| Deli sales | 6 000 | 6 000 | 7 800 | 7 800 | 7 800 | 7 800 |
| Total cash inflow | 18 000 | 18 000 | 19 800 | 19 800 | 19 800 | 19 800 |
| Cash out |  |  |  |  |  |  |
| Raw materials | 4 500 | 4 950\* | 4 950 | 4 950 | 4 950 | 4 500\* |
| Labour | 5 000 | 5 500 | 5 500 | 5 500 | 5 500 | 5 000 |
| Utilities | 400 | 0 | 0 | 400 | 0 | 0 |
| Other costs | 550 | 550 | 550 | 550 | 550 | 550 |
| Total cash outflow | 10450 | 11 000 | 11 000 | 11 400 | 11 000 | 10050 |
| Net cash flow | 7 550 | 7 000 | 8 800 | 8 400 | 8 800 | 9 750 |
| Opening balance | (25 000) | (17 450) | (10 450) | (1 650) | 6 750 | 15 550 |
| Closing balance | (17 450) | (10 450) | (1 650) | 6 750 | 1. 550 | 25 300 |

\*May sales = £12 000 online + £7 800 deli sales which are paid for in June but raw materials must be paid for in month of sales = £19 800 x 0.25 = raw material costs £4 950

\*Sept. sales = £12 000 online + £6 000 deli sales which will be paid for in October but raw materials must be paid for in month of sales = £18 000 x 0.25 = raw material costs £4 500