Three ways you can use cash forecasting to future proof your business

Cash forecasting has and always will be a practice that successful businesses utilise to stay ahead of unprecedented events. COVID-19 created a level of financial strain that businesses could not have accounted for. In times like these, keeping a close eye on your cash flow, monitoring your position and having a clear view of your finances will help future proof your organisation.

Tips for cash forecasting:

- Analyze your cash flow.

Begin forecasting by assessing your business' current cash flow and conducting a deep analysis of your incoming receipts and outgoings payment. Ensure you take note of any late payments and increases or decreases in sales. Share your forecast so that it may be consolidated with others to provide a wide overview of affairs. This way you can collaborate on strategy to manage cash positions. You will need to see cash plans using different time buckets and planning horizons depending on whether you are controlling daily payments or negotiating with banks on a medium-term re-financing plans.

- Prepare for the best and worst-case scenarios.

Use the data you have pulled to start rolling cash flow forecast. Keep in mind that you will need to be flexible in your estimations due to the pandemic. Give yourself some wiggle room on either side of your estimated base scenario. How much depends on the nature of your business and how customers are also affected by the pandemic. Of course, there are many other variables to consider when trying to consolidate your cash forecast and cash flow to implement strategic planning. However, with this overview, you will be able to understand what strategies you need to implement to get through periods of uncertainty.

- Find out what support you are entitled to.

Governing bodies have quickly responded to the needs of businesses during the

pandemic. And as businesses begin resuming their operations and re-shifting their targets, governing bodies worldwide are providing funding grants and support initiatives. Keep an eye out for programmes that you may qualify for on your government's website. Banks are also working to help their customers during this time. Banks will provide guidance on what you can do to relieve financial pressure off your business – so ensure you keep your bank knowledgeable of any large in-goings, out-goings, late payments or invoices you may be preceding.