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Monitoring and Projecting Cash Flow

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Monthly Cash Flow Statement

The cash flow statement reports the cash inflows and cash outflows of an institution during a set period. It indicates where the cash came from and how it was spent. The cash flow statement also explains the causes of any changes in the cash balance.

The purpose of the cash flow statement is to:

- Present all cash inflows and outflows for a given period (normally monthly);
- Serve as a tool to estimate future cash flow;
- Reveal the impact of management decisions;
- Determine the capacity to pay dividends and/or interest on shares, and the interest and principal on loans payable; and
- Disclose the relationship of profits as changes occur in the cash balance.

For matters related to the cash flow statement, the word *cash* refers to cash accounts, checking accounts in banks, and cash equivalents such as short-term investments that can be easily converted into cash at any given time.

Notes:

Operating Activities correspond to accounts that form part of Net Profit (income and expenses), and also to the accounts of Earning Assets, Non-earning Assets, Short-term Liabilities With Costs, and No-cost Short-term Liabilities.

Investment Activities correspond to long-term asset accounts, both earning and non-earning.

Financing Activities correspond to the accounts of Long-term liabilities (with and without costs) and Capital accounts (net worth).

NAME OF INSTITUTION _____

Cash Flow Statement

For the Period _____

Increase or (Decrease) in Cash and Cash Equivalents

CASH FLOW FROM OPERATING ACTIVITIES		
INCOME ACTIVITIES		
Cash Sales (products or services)		
Recovery of Accounts and Notes Receivable		
Recovery of Loans Receivable		
Loans Payable - Short-term, and Savings Deposits Received		
Interest, Commissions, Monetary Adjustments, and Dividends Received (from any source: loans, investments, etc.)		
Other Income (fees, rent, photocopying, etc.)		
Total Cash Income		
EXPENSES (CASH DISBURSEMENTS)		
Cash Payments to Creditors		
Disbursements (net of repayments) of Loans Receivable and Withdrawals		
Payments of Loans, Accounts, and Notes Payable		
Payments to Employees (salaries, benefits, training, etc.)		
Payments of Accrued Expenses Payable		
Payments of Interest, Commissions, and Monetary Adjustments		
Marketing Expenses (announcements, publicity, promotions, etc.)		
Representation Expenses (for the board and committees)		
Administration Expenses (per diem, maintenance and repairs, services, materials and supplies, rent, taxes, etc.)		
Other Administrative Expenses (and general expenses)		
Total Cash Disbursements		
Income (Expense) Net of Operating Activities		
CASH FLOW FROM INVESTMENT ACTIVITIES		
Sale (Purchase) of Fixed Assets and Real Estate		
Investments (+ sale, - purchase)		
Deferred Expenses (+ repayment, - new expenses)		
Income (Expense) Net of Investment Activities		
CASH FLOW FROM FINANCING ACTIVITIES		
Share Contributions (Required and Voluntary) (+ sales, - return)		
Long-term Loans Payable (+ received, - amortizations)		
Donations Received		
Payments of Dividends		
Income (Expense) Net of Financing Activities		
Net Increase (Decrease) in Cash		
Plus: Cash Balance (beginning date of period)		
Cash Balance on (ending date of period)		

Signatures: Manager _____
 Accountant _____
 Date _____

Projecting Cash Flow

Projected cash flow reports give an account of the expected cash inflows and cash outflows of an institution during a *future* period. It indicates where the cash will originate and how it will be used.

Projected cash flow reports are used to determine:

- If there will be sufficient liquidity to cover financial costs, personnel expenses, marketing expenses, legal fees, administrative expenses, disbursements of new loans, savings withdrawals, share contributions, loans payable, and creditors;
- Future management decisions with regard to savings mobilization; and
- The need for external financing.

Again, for matters related to the projected cash flow, the word *cash* refers to cash on hand, cash held in other financial institutions, and also to short-term investments owned by the institution. Readers can use the following table to project the cash flows in their own institutions.

The projected cash flow report *does not* include operations or transactions that do not affect cash on hand or cash held in other financial institutions. It does not include, for example, Interest Receivable or Monetary Adjustment on Investments (against Earned Income accounts); Interest Payable or Monetary Adjustment on Loans Payable, or on Deposits (against Interest Costs or Monetary Adjustments); Accumulated Expenses Payable; Donations (in-kind or fixtures and real estate); interest credited to share accounts and savings deposits of clients; or Depreciation and Amortization.

Cash Inflows

Income in the form of cash receipts is described below.

Loan Interest Income Collected: This is the loan interest and monetary adjustments that an institution collects in cash from loans granted to clients. (In some countries, a monetary adjustment is collected to maintain the value of the domestic currency equal to one U.S. dollar.)

Fees Income Collected: These are the fees and delinquency charges that an institution collects in cash on loans granted to clients.

Investment Income Collected: This is the interest earned and monetary adjustments on savings accounts, certificates of deposit, and other

instruments, that an institution receives from banks and other financial institutions on either short- or long-term investments that the institution owns.

Income Collected From Non-Financial Investments: This is income received in cash for non-financial investments. This type of cash income should be rare, since savings institutions should specialize only in financial intermediation.

Other Income (fees, rent, photocopying): This is income that an institution receives from charges such as fees paid by new clients (or members), rent from real estate owned, or the sale of photocopying services.

Recoveries of Loans: This is the recovery of principal in cash that was loaned out to clients.

Recoveries of Accounts Receivable: This is the recovery in cash of the accounts receivable.

Savings and Deposits Collected: These are savings and deposits received by the institution.

Income from Share Contributions (new members or additional shares): These are required and voluntary share contributions collected by a credit union from its members.

Cash Donations: These are cash donations received by an institution that are used to purge the uncollectible portfolio, pay wages or salaries, or for any other reason.

Sale of Fixed Assets: This is cash income that an institution earns in cash when it sells a fixed asset, such as in the sale of a building.

Sale of Investments: This is the amount that an institution earns in cash when it sells an investment that it has on the books.

Other Income Collected: This line is to register the cash income from any source not specifically mentioned in the previous lines.

New External Credit (Notes Payable): These are the subsidized funds that an institution receives from private international donor organizations.

Cash Outflows

Expenses in the form of cash disbursements are described below.

Payments to Creditors: These are payments made by an institution to its distributors and creditors in order to pay down or pay off the amount owed for the purchase of merchandise on credit.

New Loans Granted: These are cash disbursements made by an institution to clients as loans receivable.

Purchase of New Investments: These are sums paid in cash by an institution to purchase short and long-term investments. The investments may be in savings accounts, certificates of deposit, reserves, deposits in a second tier organization or in the Central Bank, securities, or others.

Purchase of Non-Financial Investments: These are amounts paid in cash by an institution for the purchase of short and long-term non-financial investments.

Savings and Deposit Withdrawals: These are the amounts paid by an institution in cash for client withdrawals of savings.

Shares Withdrawals: These are payments in cash made by a credit union for the withdrawals of member shares.

Payment of Notes Payable: These are payments on external credit that an institution owes to external financial institutions and international donors.

Interest Paid on Deposits: This is the interest, including monetary adjustment, that an institution pays on passbook savings and fixed-term deposits. (In this case, the institution pays out a monetary adjustment to maintain the value of domestic currency against one U.S. dollar.)

Interest Paid on Notes Payable (or Loans): This is the interest, monetary adjustments, and commissions that an institution pays on external credit.

Interest Paid on Accounts Payable: This is the interest that an institution pays on accounts payable.

Interest or Dividends Paid on Share Contributions: This is the interest, including the monetary adjustment, that a credit union pays in cash on share contributions. These costs are not included if the credit union only credits the amount in the account of each member.

Payment for Deposit Insurance: These are the costs that an institution pays for deposit insurance on current savings, fixed-term deposits, and share contributions.

Personnel Expenses: These are all personnel expenses, such as salaries and benefits, that an institution pays in cash for its employees.

Marketing Expenses: These are marketing expenses such as announcements or publicity, which an institution pays in cash to build an institutional brand and promote services and products.

Representation Expenses: These are expenses that an institution pays in cash for things such as the Annual General Assembly, board of directors' meetings and expenses, and those of other committees.

Administration Expenses: These are all the expenses that an institution pays in cash to run its operations, such as professional services, maintenance and repair, fuel, materials and supplies, rent, and taxes.

Losses Due to Cash Shortage, Robbery, Fraud: All projected cash losses caused by theft, assault or fraud. This *does not* include losses of office equipment, materials and supplies, or other fixed assets.

Expenses Related to Repossessed Assets: These are expenses that an institution pays in cash when it acquires an asset through the repossession of collateral.

Purchase of Fixed Assets, Furniture, and Equipment: This is the purchase of any kind of fixed asset in cash. This *does not* include purchases on credit, which should appear under the line item of Accounts Payable.

Pre-paid Expenses: These are the expenses paid in advance in cash to acquire office supplies, or for insurance premiums, rent, or publicity.

Other Pre-paid Expenses: These are the expenses paid by an institution in cash for any reason that is not specified in the previous line items.

PROJECTED CASH FLOW**INSTITUTION NAME**

CALENDAR OF PROJECTED MONTHS

	1	2	3	4
	JANUARY	FEBRUARY	MARCH	APRIL

INITIAL CASH BALANCE AND BANK ACCOUNTS**CASH INFLOWS**

Loan Interest Income Collected				
Fees Income Collected				
Investment Income Collected				
Income From Non-Financial Investments				
Other Income (Member fee application, rent, photocopy)				
Recoveries of Loans Receivable				
Recoveries of Accounts Receivable				
Savings and Deposits Collected				
Income From Shares (New member or new share deposits)				
Cash Donations				
Sale of Fixed Assets				
Sale of Investments				
Other Income Collected				
New External Credit (Notes Payable)				
Total Cash Inflows				

JANUARY FEBRUARY MARCH APRIL

CASH OUTFLOWS

Payments to Creditors				
New Loans Granted				
Purchase of New Investments				
Purchase of Non-Financial Investments				
Savings and Deposit Withdrawals				
Shares Withdrawals				
Payments of Notes Payable				
Interest Paid on Deposits				
Interest Paid on Notes Payable				
Interest paid on Accounts Payable				
Interest/Dividends Paid on Shares				
Payment for Deposit Insurance				
Other Cost of funds/Interest paid				
Personnel Expenses				
Marketing Expenses				
Representation Expenses				
Administration Expenses				
Losses due to Cash Shortage, Robbery, Fraud				
Expenses related to Repossessed Assets				
Purchase of Fixed Assets, Furniture, & Equipment				
Pre-paid Expenses				
Other Prepaid Expenses				
Total Cash Outflows				

Total Net Cash Flow**Final Cash Balance and Bank Accounts****EXTERNAL CREDIT ANALYSIS**

Initial Balance External Credit				
+ Withdrawals				
- Repayments				
Ending Balance External Credit				

ASSUMPTIONS:

