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Business Plus+



The **ESS BIZTOOLS' Business Plus+** newsletter, prepared monthly except January, helps our accounting subscribers communicate with their clients and prospects.

Want to know what's included in the Business Plus+ newsletter? Let us give you a preview...

One of our recent article, "**9 Steps to Create Financial Forecasts**", is available below. You are most welcome to use this article to communicate with your clients and prospects.

9 Steps to Create Financial Forecasts

Financial Forecasts for SMEs are the lifeblood of the business. The forecasts need to be based on realistic foundations with key input from the leadership team, marketing advisor and your accounting firm.

The 9 key steps to creating Financial Forecasts are:

Step 1: An understanding of how your business operates – this incorporates all aspects of the business so that we can ensure that every aspect is included in the planning process.

Step 2: Market Research – this is normally prepared by someone in your leadership team or by an external marketing consultant and it is the broad vision for your business operations that becomes the foundation of the Business Plan.



The Business Plan must be linked back to the vision outlined within the Market Research Document.

Step 3: Business Plan for the next 3 - 5 years contains the "vision" from the leadership team which has been outlined within the market research and "forecast" summary contained within the "Financial Strategy Checklist" which is a summary of various quantities, numbers of people, sales expectations, operating locations which will be utilised to develop the Financial Forecasts.

Step 4: Key Drivers Schedules – this relates to forecasts for a range of items which are directly linked to Budgets, Cash Flow Forecasts and Projected Balance Sheets including:

- Labour;
- Labour on cost;
- Components required;
- Inventories for raw materials;
- Debtors
- Final product inventory;
- Creditors;
- Capital expenditure;

- Expansion projects;
- Income tax calculations etc.

Step 5: Budgets for each business operation that you have within your business rather than showing all of these activities in one Profit and Loss Account covering – revenue, direct costs, overhead costs.

Step 6: Cash Flow Forecasts – which will reflect the information contained within the key drivers schedules and the Budgets as well as loan repayments, dividend payments, new investments, capital expenditure.

Step 7: Projected Balance Sheets – these projections will show you what the financial picture of your business will be in 1, 2, 3 years' time which will enable you to reflect on the decisions that you are making now to see what effect will they have on your financial position at some future date.

Step 8: Key Performance Indicators – these will be prepared for each business operation to give you key statistical data that can be compared to previous financial years and to emerging results on a month by month basis to determine how the business is performing.

Step 9: Monitoring Performance (this is essential for Financial Forecasts to ensure that the financial results have been subjected to realistic due diligence analysis):

- Weekly performance analysis
- Monthly Financial Accounts for each operating activity
- Comparison to Budget
- Comparison to Key Performance Indicators

This process will enable you to have clear targets for your business and ongoing Financial Reports whereby you can monitor each aspect of your business operations and make management decisions relative to improving or changing financial performance as required.

If you have any questions on this approach whereby Financial Forecasts can be prepared and monitored thus enabling you to have the benefit of a virtual Chief financial Officer, please contact the accountant in our firm that you normally communicate with.