

MATT & SILK- CASE STUDY

Matt and his business partner Silk, have set up a small painting and decorating business, they have undertaken their market research and have customers lined up, and are now ready to start trading. Please complete their cash flow forecast based on the following information, which is all based on cash sales-

1. In month 1 both partners invest £1000 each to help with their start-up costs.
2. Based on their market research and confirmation of firm orders they expect the following levels of sales -

Month 1- 1860, Month 2- 2740, Month 3- 2690, Month 4- 3170, Month 5- 1475, Month 6- 1450. Sales are low in months 5 & 6 as each partner is going to have a one month holiday.

3. The material costs are estimated as follows-
Month 1- £350, Month 2- £400, Month 3- £350, Month 4-£450, Month 5-£200, Month 6- £200.
4. During the first 3 months of trading Matt & Silk take £800 each per month in drawings, and then £1000 each, per month for months 4, 5 & 6.
5. They have to pay for a telephone on Direct Debit, and they pay £65 in month 3 and £60 in month 6.
6. They place an advert in the local newspaper in months 1, 2 & 4 at a cost of £118 per advert.
7. They purchase letterheads and business cards at a cost of £145 which is paid in month 2.
8. Fuel costs are £30 per week, and their van insurance of £350 is paid in month 3.
9. Their Public Liability Insurance is £120 per year, but they pay for it by direct debit at a rate of £10 per month.
10. In month 2 they purchase a steam wallpaper stripper at a cost of £300.
11. They pay National Insurance of £10 each per month.
12. In month 6 they take on an apprentice and pay him £200 per month, his first pay is paid in month 6. No National Insurance is paid for the apprentice.

Months 1 & 5, are 5 week months, all other months are deemed to be 4 week months.

Please complete the cash flow forecast in respect of this business.



Llywodraeth Cymru
Welsh Government



	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Totals
Income							
Sales							
Loans							
Grants							
Investment							
Total Income							
Expenditure							
Wages							
Drawings							
Rent							
Elec/ Gas							
Telephone							
Loans							
Materials							
Nat. Ins.							
Adverts							
Petrol							
Stationary							
Insurances							
Capital Spend							
Rates							
Prof. Fees							
Total Expenditure							
Net Cash Flow							
Opening Balance							
Closing Balance							



Llywodraeth Cymru
Welsh Government



CASH FLOW FORECAST – MATT & SILK (ANSWERS)

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Totals
Income							
Sales	1860	2740	2690	3170	1475	1450	13385
Loans							
Grants							
Investment	2000						2000
Total Income	3860	2740	2690	3170	1475	1450	15385
Expenditure							
Wages						200	200
Drawings	1600	1600	1600	2000	2000	2000	10800
Rent							
Elec/ Gas							
Telephone			65			60	125
Loans							
Materials	350	400	350	450	200	200	1950
Nat. Ins.	20	20	20	20	20	20	120
Adverts	118	118		118			354
Petrol	150	120	120	120	150	120	780
Stationary		145					145
Insurances	10	10	360	10	10	10	410
Capital Spend		300					300
Rates							
Prof. Fees							
Total Expenditure	2248	2713	2515	2718	2380	2610	15184
Net Cash Flow	1612	27	175	452	-905	-1160	201
Opening Balance	0	1612	1639	1814	2266	1361	0
Closing Balance	1612	1639	1814	2266	1361	201	201



Llywodraeth Cymru
Welsh Government

