# Cash Forecasting: 13 Week Cash Flow Statement

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Companies often utilize some form of cash forecasting, typically in the form of a monthly or annual budget. This is fine for long-range planning but is severely limiting for companies where cash is tight.

A standard tool in the turnaround world is the rolling 13-week cash-flow.  Companies that are operating in a cash-constrained environment do not have the luxury of thinking months ahead and need a tool that provides better insight to cash inflows and outflows. They need something that can be updated even daily as assumptions and conditions change. This enables the company to predict a liquidity event and react before it happens. If they are under, say vendor pressure, this method can keep them from promising something that can’t happen causing them to lose further credibility in the market.

**Why weekly?**

Major expenses like payroll, debt service, rent or trade payables impact at the weekly level. If your semi-monthly payroll hits on the 31st, your debt service and rent is due the 1st of the month, and it happens to be the end of the quarter when you have to send in your payroll taxes, it can cause a crisis if it doesn't coincide with converting your accounts receivable into cash. Just looking at cash in a monthly format, you might predict a positive cash-flow for that overall time period; however, you could be in a serious bind for a period of time within that month.

**Why 13 weeks?**

Thirteen weeks represent an operating cycle from when an order is received, materials purchased, product produced, invoiced, and accounts receivable is collected.  It also represents a realistic period to layout expenses, sales and cash-receipts. This measurement provides a discipline in focusing management on the immediate time frame and cash conservation.

Building a 13-week forecast requires some comfort with Excel, access to data (i.e., order backlog, customer payment history, costs of material) and the discipline to keep it updated. In its most basic form, cash receipts are the top line and require either linking or manually inputting collection assumptions from the Accounts Receivable Ledger. Expenses are then laid out just like in an income statement in the weeks where they occur. Trade Payables from the Accounts Payable Ledger are linked or entered which then leaves the cash-position.

If there is a Line of Credit available to the company it is usually tied to a borrowing base and has a cap. These are the next line items with availability computed from eligible Accounts Receivable and Inventory balances followed by outstanding balance. If there is a need to draw down the line to meet a net need or the ability to pay down the line based on a net surplus, that is noted and the final line gives the net cash position for that week. If a company is also dealing with past-due vendors, an appropriate line item can be added recognizing promised payments on non-current purchases. Again, the goal is to NOT make promises that you probably can’t keep.

If your manufacturing firm is having cash-flow issues contact your [Regional SEWN Director](https://www.steelvalley.org/sewn-contact) for a confidential, objective talk about how SEWN can provide FREE assistance to help you manage the problems and avoid failure or layoffs.