



Financial Reporting for Business

Cash Flow

Cash Flow Case Study

Lily is setting up a small business providing cleaning services to offices in a trading estate in The Midlands.

She anticipates sales revenue to be twice that of her purchases each month. At the beginning of January she will buy two small cars, to drive herself and staff to the offices, each costing £8,000. She will invest £4,000 of her own money and has agreed a bank loan of £7,000.

To start trading in January, she buys £4,000 worth of cleaning equipment, including vacuum cleaners and floor buffers. In addition, she spends £150 on less durable products such as dusters and mops, which she plans to replace in March and June.

Lily has rented a small lock-up in which to store her equipment and materials at a cost of £500 per month. She will employ four cleaners each earning £400 per month.

She will withdraw £1,000 a month for herself and hopes to be able to increase this to £1,200 per month after six months. Additional monthly commitments will be £400 for car insurance, £20 for advertising and £80 for fuel.

1. Identify Lily's cash inflows and outflows. For each item, record the cost *per year* (where applicable) and categorise it into one of the following areas:

Sales revenue	Shareholder investment	Marketing
Wages	Rent	Transport costs
Bank loan	Suppliers	

Note that the number of rows available may exceed the number of items.

Cash inflows		
Item	Amount (£)	Category





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Cash outflows		
Item	Amount (£)	Category

2. What additional information would an accountant need to compile a complete cash flow statement after 12 months. Brainstorm with a partner and list at least 3 things.

