

A Step by Step Guide To Income Projection

If you own or **run a business** you are likely to be at least basically familiar with a certain document which is most often produced in a spread-sheet format, called an **Income Projection**. This is also known as a **Cash Forecast** and a **Cash Flow** and the general purpose of this chart is basically to set out in a column format a calendar that should indicate to the reader where funds will come from and go to.

Where these are not only interesting but extremely useful is in the planning of expenditure to fit within your estimation or calculation of when funds will be available through sales or other means. An **Income Projection** is a much needed tool as part of the management kit required for anyone either already **owning a business** or just in the initial processes of **starting and running a business**, simply as a very simple form of predictor of cash position.

Where an **Income Projection** has a further value is if an **existing business** is seeking input loan or investor funds, and for those **launching a business** they are a distinct necessity, as without one no investor would show interest.

In the main, an **Income Projection** is structured in a column system to represent months, where the horizontal grids represent various factors that effect each month, such as sales, purchases, wages, power, building costs, management fees etc, all as said, positioned monthly as incoming or outgoing. Received or spent.

When an **Income projection** is being structured for the first time it is actually a brilliant tool that forces you to ask questions at pertinent times. Such might be to plan when you really have to purchase a photocopier, and while you can initially enter the cost in the first month column if you wish, the facts shown as you complete the grids is that you may not have spare cash for a capital expense until a later month, so just move the cost accordingly.

Each column of an **income projection** is also totaled in three or four different but very useful ways. Some prefer only two but I personally use four as I extract other information by having my **Income projections** totally formula driven.

Firstly, the first total to each column adds downwards to total the gross expenditures from the grouped income planned or

projected. By grouped I mean that a business has outgoings that are made up of two prime factors. The first is called Fixed Outgoings and the second is Variable Outgoings, and each name is easily understood after one explanation and not an issue here.

The second horizontal total (2) is where total one expenditure is simply subtracted from the income from sales, which is generally provided in the chart upper sections. Thus we gain a cash surplus or excess for each month and by shifting certain expenditures about you can actually produce a sensible time to spend based on funds incoming. A NET Cash position by each month.

My third total (3) is what I use for entering an **Opening Balance**, which is actually handy as it tells me directly above in total 2 what monies have to be input to cover my initial planned expenditure. The size of the required first investment actually. If enough is input then all the monthly columns should begin to be reasonably similar in balance.

As the first **opening balance** sum (total 3) is entered in column one, so it must have added to it the sum from total 2 above and the same formula is carried across the entire horizontal to indicate its impact on monthly balances.

My fourth total (4) is the most interesting and is called either CUMES, being short for **Cumulatives**, or **Closing Balance**. The figures are produced by taking the balance produced at total 3 and simply taking it forward to add to the following months balance. This will show you your entire progressive profit or loss on a monthly basis and allow you to properly manage your financial affairs as you grow. Increasing sales results can be entered and the resultants flowed down to show what difference these things produce period by period.

The last thing you should have your Income Projection grid do is total each horizontal row, which in turn should itself be totaled vertically. This system will allow you to gain two figures side by side on the bottom right of your tool, which should be the same number. It is an auto double-check system and should always be employed to save you massive embarrassment in front of your bank manager.

If you do as I do with formula driven charts then your Income Projection can be used to play with figures to locate optimum performance for your business and to forewarn you of imminent hurdles and expenditure optimums.

My own extra use for my **Income Projection** grid is to allow it to automatically produce a **profit and loss statement** and also a **break even calculator**, based on the fact that these projections are able to integrate basically all pertinent financial data.

If you are an **existing business** or even in need of **help starting a business** as a new **entrepreneur**, there is one **business training guide** available that will provide a pre-structured and formula driven **Income Projection** tool with an example sheet as part of their bonus.

This tool contains the profit and loss auto statement and the break-even calculator too.

Nathan Howard: *An Entrepreneur, manufacturing & systems analyst, consultant and mentor with 30+ years experience starting, running & developing successful businesses. To gain some invaluable insight and structure for your own journey forward, visit [With Your Success In Mind](#) for more information on [Starting A Business](#).*