

**Cash Management  
for the  
Restoration Contractor**

**Larry Holder, CR**

**February 1996**

### Executive Summary

Cash management offers a host of advantages to the restoration contractor. By gaining greater control of the business, the firm receives a measure of protection from insolvency, can expect to generate more profit, and will certainly experience fewer cash flow problems. Cash management is an outcome of business planning and a vital tool for success. The cash budget is at the heart of cash management and provides systematic control of cash inflows and outflows.. It summarizes forecasts for the business including sales, collections, purchases, asset and inventory requirements, tax payments, and operating expenses. A moving twelve month cash budget meets planning needs, while a weekly cash budget offers actual cash control measures. Monthly revision improves projections through assumptions made ever closer in time to reality. The critical components of the cash budget include accounts receivable management, target cash balances, bank credit lines, cash flow synchronization, and disbursement control.

Cash management for the restoration contractor is demonstrated for a water and smoke damage emergency service company through two budget models. The models, accounts receivable monitoring schedules, and a disbursement schedule are and made available on disk through Excel 4.0 in Windows 3.1.

### **Introduction**

The common denominator of business success is planning. The best of the best from Fortune 500 companies to single employee businesses know that planning smoothes out the bumpy roads of business. Planning allows for accurate goal setting and a systematic approach for achieving goals. Planning reduces uncertainty by providing a vehicle and a methodology for anticipating industry and market changes, for keeping up with the competition, for sustaining the business' focus, and for setting required contingencies. Planning will deepen your understanding of your business and of the business climate in which you work. Effective planning yields a game plan as essential for success as any sports game plan.

Cash management relies on a cash budget, which flows from a series of other planning steps involving, monthly sales projections, job and operational costs, accounts receivable collection patterns, and required cash contingencies.

If you are not of the planning persuasion, you will either change your mind as a result of this paper or you will set this aside as not for you. You may not have become a restoration professional in order to become a business professional, but if your seeking growth and financial success for your restoration business, you will plan and you will become a cash manager.

### **Background**

If you are like many of your peers in the restoration industry, you got into the business to provide yourself a job. You may have seen the business as a chance to realize your dream of being your own boss or you may have simply been sick and tired of working for someone else. You believed there was opportunity for you in the restoration field, you probably knew something about the work itself, and you believed you could learn what

you did not know. You had some money available to get started. So, boom! You went out and bought yourself a job.

Initially, you probably focused most of your time and energy developing your restoration skills. But, before long you realized, even if you became the best restoration professional in the business, it would not guarantee success. It was around that time that the job you bought became multiple jobs, as you began learning the business of running your business. You began splitting your field time with sales and marketing, accounting, payroll, insurance, employee relations, legal issues and a host of other activities. You probably have learned a great deal about business matters on your own and perhaps picked up pointers networking with other small business owners. You may have attended seminars, hired accountants, utilized payroll services, and contracted with marketing consultants.

### **Cash Management**

Of the many hats you wear operating a restoration business, cash management is arguably the most important management task you need to master. Cash is the oil that lubricates the wheels of business. An inadequate cash supply will grind your business to a halt. On the other hand, carrying excessive cash reserves is expensive, in as much as cash is a non-earning asset. Holding cash beyond minimum requirements lowers potential earnings.

Just enough cash is needed to pay for materials and labor, operating expenses, fixed assets, taxes, debt, etc. The objective of the cash manager is to minimize the amount of cash the business must hold to conduct normal business, while insuring there is sufficient cash for taking trade discounts, maintaining the company's credit rating, and meeting unexpected cash needs. Through disciplined, effective cash management you can have greater control of your business and you will likely manage your business more profitably. You will also minimize cash flow problems, a pitfall of businesses large and small

Cash management, as part of the planning process, is the systematic development of and compliance with a cash budget. The critical components of cash management are

components of the cash budget. They include accounts receivable management, target cash balances, bank credit lines, cash flow synchronization, and disbursement control.

### Cash Budget

The cash budget is at the heart of cash management. The cash budget summarizes forecasts for the business, projecting the company's cash inflows and outflows over some specified period. Accounts receivables management is collections practices and receivables forecasting. Accounts receivable monitoring models improve both receivables management and your company's cash position. The target cash balance is, for our purposes, an amount based on the company's contingency plans and on its interest in retaining both a strong credit rating and its ability to take advantage of trade discounts. The cash manager sets the target balance by looking back at prior years' cash inflows and outflows. Bank credit lines provide the occasional safety net for risks associated with tight cash budgeting. The best deals for small businesses usually stem from long standing banking relationships. Cash flow synchronization is the coordination of cash receipts with cash outflows, the single best method of minimizing excess cash balances and limiting shortfalls. Disbursement control manages outflows, timing payment releases to correspond to inflows or to take advantage of trade discounts.

The cash budget is the summary of the planning process, projecting the company's inflows and outflows over some specified period. Prior to creating a cash budget you must do some other business projections. Following a careful review of your business, including its strengths, weaknesses, opportunities, and threats, you can then develop an important set of assumptions leading to the creation of a cash budget.

Assumptions found in a cash budget are part of a general budgeting or forecasting process. Forecasts must be made for fixed asset and inventory requirements, along with payment schedules. Projections must also be made for accounts receivable collection delay forecasts, tax payment dates, operating expense schedules, etc. Additionally, you will need

to make assumptions about your future sales and your needs for an on-hand contingency cash balance.

It is recommended that a moving twelve month cash budget be generated for planning purposes and that a more detailed weekly cash budget for the current month be in place for actual cash control measures. A moving cash budget is revised monthly but always remains a twelve month budget. The monthly revision practice will give you greater confidence in your projections through assumptions made ever closer in time to the actual event.

An explanation of the twelve month cash budget model includes a focus on accounts receivable monitoring, target cash balances, and bank credit lines. Consideration of the weekly budget model includes special attention on cash flow synchronization and disbursement control. A conclusion follows the discussion of the two cash budget models. The Excel examples are available for downloading on IBM compatible computers with the enclosed 3 1/2" disk. The spreadsheet files were developed in Excel 4.0 through Windows 3.1.

### *Twelve Month Cash Budget Model*

To illustrate the cash management process, let's consider the monthly cash budget for 1996 of Drying and Deodorizing R Us, Inc. (D&D), a leading water and smoke damage emergency service company. Table 1 is the twelve month cash budget for D&D. The table reveals the results of D&D's planning. To make projections with confidence, D&D's management looked back at their prior years' sales and expenses data, evaluated their internal strengths and weaknesses, analyzed the external threats and opportunities at play in their market, and formulated their game plan for the year. Reviewing the cash budget table will reinforce the importance of planning. Understanding the cash budget is essential for becoming an effective cash manager.

## I. Collections and Purchases

### *01. Sales*

What can we learn about D&D's business from their sales projections? By comparing 1995 and 1996 for the months of November and December, we can tell they are anticipating a 10% sales increase. Also we can tell that D&D's business is seasonal. Their sales fluctuate over 35% between their highest and lowest monthly projections. The lowest sales months are in the summer and the highest sales months in the winter. They are located in a temperate climate where most rainfall occurs over the fall and winter months. Since cold weather is not an issue, probably the fluctuating sales are to be explained by the additional anticipated water damage work resulting from winter rains.

### *Collections (Accounts Receivable)*

Nothing improves cash flow like shortening the time it takes to get paid following completion of the job. Invoices must fly out the door, the rate of collections must be carefully monitored, and a sound collection policy must be in place.

### *Accounts Receivable Monitoring*

D&D monitors the rate of collection of its accounts receivable which allows accurate budget forecasting and alerts management to adverse collection trends that may develop in their business. After careful consideration, D&D chose the payments patterns approach to monitoring through the Uncollected Balances Schedule. The effects of seasonal variations, a problem with other receivables monitoring schedules, are removed with a payment patterns approach. The uncollected balances schedule provides an accurate measure of receivable inflows and is also a reliable forecasting tool for future

receivables. Table 2 is D&D's uncollected balances report from 1995. The amount of remaining receivables is divided by that month's sales to yield receivables-to-sales ratios. The projections are made at the conclusion of each quarter. The first quarter's forecasts are for March 30. At that time D&D expects they will have collected all of January's receivables (20% in January, 70% in February and 10% in March). Therefore, on March 30, remaining receivables for January are expected to be zero. Similarly, 90% of February's receivables should be collected by March 30 (20% in February and 70% in March) and 20% of March's receivables should be collected during March.

D&D compares its actual uncollected balances schedules with their projections. This is an important indicator of developing adverse collection patterns.

### *02. Collections During Month of Sale (Accounts Receivable)*

Cash for current month sales includes retail cash sales, job deposits received, and prompt payment trade discounts.

Cash Sales: 10% of D&D's sales are expected to be COD. Cash sales stem from retail cleaning and water and smoke damage job deposits.  
 $(10\%) \times (\text{month's sales}) = \text{current month's cash sales projections.}$

Trade Discounted Sales: D&D offers its customers an incentive to pay their restoration invoices early by offering a 2%-10 days prompt payment discount. It is anticipated that 10% of those invoiced in a given month will actually take the 2% discount. That is 10% of the customers will pay 98% of the month's sales and D&D will write off the other 2% as discounted sales. There is at least one problem with offering trade discounts. Some customers will take the discount well beyond the prompt pay period.



## Cash Management For The Restoration Contractor

$(98\%) \times (\text{month's sales}) \times (10\%) = \text{current month's trade discount collections}$

### *03. Collections During First Month After Sale (Accounts Receivable)*

D&D projects that 70% of a month's sales will be collected during the first month following the sale. In other words, 70% of the customers are expected to pay their restoration invoices more or less in 30 days.

November and December 1995's sales are shown on the 1996 cash budget to allow for a better understanding of the collections entries.

$(70\%) \times (\text{previous month's sales}) = \text{current month's cash contribution}$

### *04. Collections During Second Month After Sale (Accounts Receivable)*

D&D knows from experience that 10% of their customers are going to be delinquent paying their restoration invoices. Therefore, they allow in their planning for 10% each month's sales to be collected during the second month following the sale.

$(10\%) \times (\text{sales two months ago}) = \text{current month's cash contribution}$

### *05. Total Collections (2+3+4)*

D&D does not allow for bad debt or uncollected accounts receivables. They believe they can collect all their accounts receivable within 60 days. Their monthly collection projections are as follows:

#### Accounts Receivable Collection Assumptions For Any Given Month

Month of Sale	20% Collected (10%=discount, 10%=COD)
Previous Month's Sales	70% Collected
Two Month's ago Sales	10% Collected

### Purchases

Purchases for purposes of the cash budget are materials and supplies and equipment, tools, and maintenance expenses. Purchases are a reported item in the month the purchases are made. Purchases become an expenditure in the month following purchases.

### *06. Materials and Supplies*

This entry represents D&D's anticipated job material and supply costs for the forthcoming month. They know 10% of a job's invoice amount will be consumed by materials and supplies directly associated with executing the job. They order their supplies and materials based on sales projections and their anticipated job mix. They strive to have the shipments arrive as near the beginning of the month as possible. This minimizes inventory and reduces the number of days between the time they are invoiced from their suppliers and when they in turn bill their customers. These steps can significantly improve cash flow.

$(10\%) \times (\text{next month's sales}) = \text{next month's cost of sales projections}$

### *07. Equipment, Tools and Maintenance*

D&D knows they will need to spend about \$2000 monthly to maintain and replace small equipment and tools. Since the amount fluctuates with sales volume, they assigned .6% of next month's sales to determine their expected needs. They maintain usage charts (hour meters, job assignment sheets, etc.) to assist in accurately projecting these costs. At D&D, tools and equipment costing more than \$10,000 are evaluated as capital investment expenditures since tax depreciation schedules often discourage cash payments for some tool and equipment items.

$(.6\%) \times (\text{next month's sales}) = \text{next month's equipment, tools and maintenance needs}$

### *08. Payments*

D&D evaluates and takes advantage of significant trade discounts, which results in some invoices being paid in the month received. But, on balance most of their purchases are paid in the month following invoicing.

Therefore, payment entries correspond to the previous month's purchases. The December 1995 purchase entries, like the sales entries, are shown to

## Cash Management For The Restoration Contractor

facilitate explanation of the payment item. Their will be further discussion of payments while considering the weekly cash budget and disbursement control measures

Payments=previous month's purchases (items #6 and #7)

### II. Cash Gain or Loss For Month

#### *09. Collections (Section I)*

Item 5, the sum of all accounts receivable collections, is repeated in this summary section.

#### *10. Purchases (Section I)*

Item 6 and 7 is repeated in this summary section.

#### *11. Wages and Salaries*

D&D strives to hold labor costs to 43% of sales.

$(43\%) \times (\text{month's sales}) = \text{current month's wages and salaries}$

#### *12. Operating Expenses*

35% of sales goes to pay for all those items that appear on the profit and loss statement other than cost of sale items. Their will be further discussion of operating expense payments while considering the weekly cash budget and disbursement control measures

$(35\%) \times (\text{month's sales}) = \text{operating expenses}$

#### *13. Other Expenses*

This is a miscellaneous category of expenses which D&D knows are too numerous to categorize but too prevalent to ignore. This can serve as a small contingency fund before having to borrow.

$(.5\%) \times (\text{month's sales}) = \text{other expenses}$

***14. Taxes***

D&D is on a quarterly income tax payment schedule. Other businesses may be on a monthly or even an annual payment schedule. The amount is determined by their accountant and is based on IRS and perhaps state payment requirements and not necessarily on the total expected tax bill.

***15. Debt Payments***

***16. Total Payments***

This is simply the sum of items 9 through item 15.

***17. Net Cash Gain (loss) For Month***

This is all anticipated accounts receivable collections for the month less total expected payments.

Collections #8-Total Payments #16=Net Cash Gain (Loss) For Month

**III. Cash Surplus or Loan Requirement**

***18. Cash At Start of Month***

This is D&D's expected cash on hand at the start of each month assuming no borrowing is done. This starting cash balance also assumes bills were paid and collections were made according to budget projections.

***19. Cumulative Cash***

By adding the sum of section II (net cash gain [loss] during month) to starting cash, D&D arrives at their accumulated cash for the month. the month's cumulative cash is, of course, the following month's starting cash balance.

### *20. Target Cash Balance*

The target cash balance is set by D&D's management based on their bank transaction balances and their defined reserve or contingency amount. Factors entering into the decision include D&D's business volume, their inherent confidence in their cash inflow and outflow forecasts, and their ability to borrow on short notice to meet cash shortfalls. Setting the target cash balance as a percent of sales, allows D&D to adjust their cash needs with the rise and fall of their seasonal business. By subtracting the target cash balance from the cumulative cash, D&D can determine its monthly cash surplus or its loan requirements.

As a business gains confidence in its sales and collections forecasts, the target cash balance can be reduced. In the best of all possible cash flow worlds, businesses would hold nearly a zero cash balance.

### *21. Cumulative Surplus Cash or Loan Requirement*

This is the net cash effect of D&D's monthly business activity. A positive number indicates a cash surplus, whereas a negative value reflects a loan requirement. Surplus cash is typically invested in short term funds. Loans are required when there is a cash shortfall as D&D does not want their cash level to dip below the target amount. Through arrangement with their bank, D&D maintains its cash flow objective through a loan-payment arrangement which can be triggered daily if necessary.

#### *Bank Credit Line*

Bank credit lines are essential to operating a seasonal business like restoration contracting. D&D's banking relationship is second only to their customer relations. D&D treats their bank almost like a business

partner. The bank receive quarterly financial statement updates, one of the vice presidents of the bank is a member of D&D's board of directors, and generally they are kept in the communication loop of D&D. The bank relationship allows daily borrowing up to some limit and daily repayment. Surplus cash is used to pay off loans assuring D&D of never having surplus cash and outstanding loans. An examination of D&D's monthly cash surplus or loan requirement for 1996 shows a \$60,000 surplus for the year.

### *Weekly Cash Budget Model*

The weekly cash budget (table 3) is modeled after the monthly cash budget in table 1. This is the cash disbursement control budget. The weekly cash budget is at the fingertips of D&D's cash manager. Although not done often, revised weekly forecasts can be accomplished when necessary. In preparing the budget, D&D assumes all the monthly activities will occur at a steady daily rate. Therefore, the weekly numbers are obtained by multiplying the number of days in the period by the projected daily rate. Monthly sales and purchase projections are retained in the weekly budget to facilitate some of the projections.

### *Cash Flow Synchronization*

Cash flow synchronization is an effort to improve forecasts and manipulate cash receipts so as to coincide with cash outflows. At D&D, every effort is made to time the billing cycle to cause cash inflows to arrive simultaneous with the due dates for their bills. Long run jobs in progress are reviewed weekly and invoiced incrementally. Emergency service jobs, which typically stay open five to ten days are invoiced as soon as the costs are known, which may precede completion of the job. This effort helps reduce the need for larger cash balances, decreases bank loans, lowers interest expense, and improves profits.

### *Disbursement Control*

Disbursement control for smaller businesses, like D&D, begins with a disbursement schedule (table 4). All accounts payables are entered on the disbursement schedule by the cash manager on a daily basis. Debt payments and other fixed expenses remain on the schedule from one month to the next. D&D has this form set up in Excel on their computer. Following a day's entries the list of payables is sorted by release date. At the end of the month the list is printed and filed to assist with the next round of forecasts.

The payment method and the release date are the real timing mechanisms in the schedule. D&D identifies the fastest means of making the transaction and evaluate its cost. Next they set the release date. The object is obvious. Do not release the funds until you absolutely have to and always evaluate trade discounts and take advantage when appropriate. Other than conventional mail, some bills can be paid by electronic funds transfer (EFT). EFTs may be prearranged deals with the vendor and your bank, or, increasingly, through electronic banking from your office or home. Electronic transactions often allow disbursement to be withheld until the due date and for that reason, should be carefully evaluated as a cost effective bill paying mechanism.

### **Cash Management Costs and Benefits**

Not so long ago, the benefits of careful cash management was evaluated solely upon the costs of funds invested in cash, which in turn depended upon the prevailing rate of interest. Consideration was also given to the implementation costs of the procedures. That was the era of mainframe computers and cash management was the province of big business.

Today, thanks to the microcomputer, cash management is within reach of small businesses, like restoration contractors. Never has it been easier to masquerade as a bean counter. The tables used to explain cash management were created in Excel 4.0 through Windows 3.1 and are available for downloading from the enclosed disk. The monthly and weekly budgets are set up to allow adaptation to your particular business simply by changing the

multipliers used in the assumptions. In other words, if the categories work for you, plug in your sales projections and substitute your percent entries along the left margin, and you will have a cash budget. You can, of course, change the multipliers to create different scenarios, thereby effortlessly evaluating the impact of some change in your assumptions. The disbursement schedule allows payments to be conveniently arranged to correspond to payment requirements. The accounts receivable uncollected balances schedule is also set up to automatically yield the receivables to sales ratios once you have substituted your numbers.

Through the convenience and affordability of computers, the value of careful cash management practices no longer depends upon interest rates or invested cash sums.

### **Conclusion**

D&D with annual sales of \$3,000,000 is by restoration contractor standards a large business. They plan, they practice cash management, and still they expect to run out of cash five of twelve months for 1996. But, because they plan, including contingencies for the unexpected, they can weather the storm and even prosper.

Increasingly, finance professionals are insisting cash flow statements be included with balance sheets and profit and loss statements when evaluating businesses, large and small. For many bankers, etc., cash flow statements are becoming the analytical tool of choice.

Restoration contractors, like many other small businesses, often need substantial cash flows to meet financial obligations. Our small companies are usually undercapitalized and dependent on excessive debt and trade credit to provide needed working capital. We are more vulnerable to seasonal changes in sales or slow collections than better capitalized large businesses. Additionally, the majority of our work is reimbursed by the insurance industry who generates most of its profits through investments. They are masters of cash management. Part of their disbursement control is to delay claims payments to contractors.



## Cash Management For The Restoration Contractor

Because we are at greater risk of becoming insolvent, we must adequately plan and manage our cash flow. It is not only a matter of good business and a more profitable business, it may be a matter of survival.

## Appendix

Table 1

## Drying and Deodorizing R Us: Cash Budget 1996

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>I. Collections and Purchases</b>														
(01) Sales	\$350,000	\$362,000	\$338,000	\$322,000	\$312,000	\$310,000	\$308,000	\$310,000	\$295,000	\$291,000	\$318,000	\$360,000	\$378,000	\$395,000
<b>Collections:</b>														
(02) During Month of Sale:														
10.00% x month's sales			33,800	32,200	31,200	31,000	30,800	31,000	29,500	29,100	31,800	36,000	37,800	39,500
10.00% x 98.00% month's sales			33,124	31,556	30,576	30,380	30,184	30,380	28,910	28,518	31,164	35,280	37,044	38,710
(03) During 1st Month after sale:														
70.00% x prior month's sales			253,400	236,600	225,400	218,400	217,000	215,600	217,000	206,500	203,700	222,600	252,000	264,600
(04) During 2nd Month after sale:														
10.00% x sales two months ago			35,000	36,200	33,800	32,200	31,200	31,000	30,800	31,000	29,500	29,100	31,800	36,000
<b>Total Collections (#2+#3+#4)</b>			<b>355,324</b>	<b>336,556</b>	<b>320,976</b>	<b>311,980</b>	<b>309,184</b>	<b>307,980</b>	<b>306,210</b>	<b>295,118</b>	<b>296,164</b>	<b>322,980</b>	<b>358,644</b>	<b>378,810</b>
<b>Purchases:</b>														
(06) Materials & Supplies:														
10.00% x next month's sales		33,800	32,200	31,200	31,000	30,800	31,000	29,500	29,100	31,800	36,000	37,800	39,500	0
(07) Equipment, Tools, and Maintenance:														
0.60% x next month's sales		2,028	1,932	1,872	1,860	1,848	1,860	1,770	1,746	1,908	2,160	2,268	2,370	0
<b>(08) Payments (1 month lag)</b>			<b>35,828</b>	<b>34,132</b>	<b>33,072</b>	<b>32,860</b>	<b>32,648</b>	<b>32,860</b>	<b>31,270</b>	<b>30,846</b>	<b>33,708</b>	<b>38,160</b>	<b>40,068</b>	<b>41,870</b>
<b>II. Cash Gain or Loss for Month</b>														
(09) Total Collections (#15)			\$355,324	\$336,556	\$320,976	\$311,980	\$309,184	\$307,980	\$306,210	\$295,118	\$296,164	\$322,980	\$358,644	\$378,810
(10) Payments (#18)			35,828	34,132	33,072	32,860	32,648	32,860	31,270	30,846	33,708	38,160	40,068	41,870
(11) Wages and Salaries:			145,340	138,460	134,160	133,300	132,440	133,300	126,850	125,130	136,740	154,800	162,540	169,850
(12) Operating Expenses:			118,300	112,700	109,200	108,500	107,800	108,500	103,250	101,850	111,300	126,000	132,300	138,250
(13) Other Expenses:			1,690	1,610	1,560	1,550	1,540	1,550	1,475	1,455	1,590	1,800	1,890	1,975
(14) Taxes					91,980			83,700			80,640			95,040
(15) Debt Payments Combined:			15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
\$15,000														
(16) Total Payments			316,158	301,902	384,972	291,210	289,428	374,910	277,845	274,281	378,978	335,760	351,798	461,985
(17) Net Cash Gain or (loss) For Month (#8-#15)			39,166	34,654	(63,996)	20,770	19,756	(66,930)	28,365	20,837	(82,814)	(12,780)	6,846	(83,175)
<b>III. Cash Surplus or Loan Requirement</b>														
(18) Cash at Start of Month			\$77,000	\$116,166	\$150,820	\$86,824	\$107,594	\$127,350	\$60,420	\$88,785	\$109,622	\$26,808	\$14,028	\$20,874
(19) Cumulative Cash (#16-#17)			116,166	150,820	86,824	107,594	127,350	60,420	88,785	109,622	26,808	14,028	20,874	(62,301)
(20) Target Cash Balance			67,600	64,400	62,400	62,000	61,600	62,000	59,000	58,200	63,600	72,000	75,600	79,000
(21) Cumulative Cash or Loan Amount			\$48,566	\$86,420	\$24,424	\$45,594	\$65,750	(\$1,580)	\$29,785	\$51,422	(\$36,792)	(\$57,972)	(\$54,726)	(\$141,301)

Table 2

**Drying and Deodorizing R Us**  
**1996 Projected Uncollected Balances Schedule**

1996 Quarter	Projected Sales	Remaining Receivable	Receivables/ Sales
1st Quarter			
January	\$338,000	\$0	
February	\$322,000	\$32,200	10%
March	\$312,000	\$249,600	80%
Total:	\$972,000	\$281,800	90%
2nd Quarter			
April	\$310,000	\$0	
May	\$308,000	\$30,800	10%
June	\$310,000	\$248,000	80%
Total:	\$928,000	\$278,800	90%
3rd Quarter			
July	\$295,000	\$0	
August	\$291,000	\$29,100	10%
September	\$318,000	\$254,400	80%
Total:	\$904,000	\$283,500	90%
4th Quarter			
October	\$360,000	\$0	
November	\$378,000	\$37,800	10%
December	\$395,000	\$316,000	80%
Total:	\$1,133,000	\$353,800	90%

## Drying and Deodorizing R Us: Cash Budget January 1996

	Annual Sales	Nov 95 Wkly Sales	Dec 95 Wkly Sales	Jan 1-7	Jan 8-14	Jan 15-21	Jan 15-28	Jan 29-31	Month Total
<b>I. Collections and Purchases</b>									
(01) Sales	Nov-95 \$350,000			\$76,323	\$76,323	\$76,323	\$76,323	\$32,710	\$338,000
<i>Collections:</i>	Dec-95 \$362,000	\$79,032	\$81,742						
(02) During Month of Sale:	Jan-96 \$338,000			7,632	7,632	7,632	7,632	3,271	33,800
10.00% x wkly sales	Feb-96 \$322,000			7,480	7,480	7,480	7,480	3,206	33,124
10.00% x 98.00% wkly sales									
(03) During 1st Month after sale:				57,219	57,219	57,219	57,219	24,523	253,400
70.00% x prior month's wkly sales									
(04) During 2nd Month after sale:				7,903	7,903	7,903	7,903	3,387	35,000
10.00% x wkly sales two months ago				80,234	80,234	80,234	80,234	34,386	355,324
Total Collections (#2+ #3+ #4)									
<i>Purchases:</i>									
(06) Materials & Supplies:	Purchase Data								
10.00% x next month's wkly sales	Dec-95 33,800		7,632	7,772	7,772	7,772	7,772	1,110	32,200
(07) Equipment, Tools, and Maintenance:				466	466	466	466	67	1,932
0.60% x next month's wkly sales	Dec-95 2,028		490	8,090	8,090	8,090	8,090	3,467	35,828
(08) Payments (1 month lag)									
<b>II. Cash Gain or Loss for Month</b>									
(09) Total Collections (#5)				\$80,234	\$80,234	\$80,234	\$80,234	\$34,386	\$355,324
(10) Payments (#8)				8,090	8,090	8,090	8,090	3,467	35,828
(11) Wages and Salaries:				32,819	32,819	32,819	32,819	14,065	145,340
43.00% x week's sales				26,713	26,713	26,713	26,713	11,448	118,300
(12) Operating Expenses:									
35.00% x week's sales				382	382	382	382	164	1,690
(13) Other Expenses:									
0.50% x week's sales									
(14) Taxes									
9.00% x month's sales (quarterly)									
(15) Debt Payments Combined:									
\$15,000 Due 20th of Month							15,000		15,000
(16) Total Payments				68,003	68,003	68,003	83,003	29,144	316,158
(17) Net Cash Gain or (loss) For Month (#8-#15)				12,231	12,231	12,231	(2,769)	5,242	39,166
<b>III. Cash Surplus or Loan Requirement</b>									
(18) Cash at Start of Month				\$77,000	\$89,231	\$101,462	\$113,693	\$110,924	\$77,000
(19) Cumulative Cash (#16+ #17)				89,231	101,462	113,693	110,924	116,166	116,166
(20) Target Cash Balance				67,600	67,600	67,600	67,600	67,600	67,600
(21) Cumulative Cash or Loan Amount				\$21,631	\$33,862	\$46,093	\$43,324	\$48,566	\$48,566

Table 4

## Drying and Deodorizing R Us Disbursement Schedule

**Date:**

[illegible]