

the opening balance of the following month. It's important for Joan to be aware of what capital she is taking from the business as it may be affecting the business in a negative way.

Phone and postage is a small expense to Joan. However, I think it's important that Joan should reduce this figure a little. The expense for phone and postage is now £120.00, saving the business expense which will improve its cash flow. Advertising is important for Joan's party planning business and it helps attract new customers. It is also important that Joan does not spend too much on advertising which could be potentially detrimental to the business. I recommend that Joan reduces her advertising from £170.00 to £150.00 per month. This reduces total outflows of the business per month which means that there is more capital available, again helping improve the cash flow.

Joan should ensure that her wages are not too high which can damage profitability of her business. I've revised the cash flow forecast and reduced the wage outflow from £2,900.00/£3,000.00 to £2,750.00 per month. By reducing the wage outflow of Joan's business, it will allow more capital to be available. This capital could be spent on purchasing more stock or potentially expanding. Reducing the wages of each month will also help to increase the opening balance of the following month which is extremely important in a healthy cash flow.

Joan may allow her customers too much credit. Particularly in January when credit sales are at a huge £23,600.00. This could be an indication to Joan to not allow her customers as much time to pay for their goods and services as slow-paying customers can put strain on cash flow.

By making these changes to the cash flow forecast of Joan's business improves the cash flow throughout. It allows the business to have more capital available and helps the business' opening and closing balance for each month. Joan's expenses were too high and this resulted in the business being in a loss-making position. A business with low profits or losses typically have a negative cash flow and this is clear in Joan's party planning business. I've made appropriate changes which will improve Joan's businesses. This is evident as in the original cash flow forecast, December finished with a closing balance of -£8,624.00 and when the cash flow forecast was revised, the closing balance improved immensely to £1,731.00. This significant improvement in cash flow was due to changes in the expenditure of the business. It ensured a more positive cash flow which is extremely important in any business.