The 13-week Cash Flow Forecast

A functional tool for companies to track and manage cash.

Companies seeking stronger cash management can benefit from incorporating 13-week cash flow forecasts into their reporting line-up.

What is a 13-week Cash Flow Forecast?

The 13-week cash flow forecast presents a weekly cash flow outlook for your company. It shows how much cash is coming in and going out - when and through which accounts – and the resulting ending cash balance each week.

It's typically presented in the "direct method" cash flow statement format (think cash-P&L) versus the "indirect method" format you may be familiar with from three-statement reporting. The 13-week timeframe is the standard that has developed, notably providing for intra-quarter visibility.

The punchline is: do you have enough cash coming in / on hand to pay your bills on time?

Why you'd be asked to create one

13-week cash flow forecasts are a common ask from lenders during periods of disruption / distress – whether company-specific or market-driven. They provide a near-term detailed view of your company's cash position in between regular reporting, giving your lender comfort that you have enough money to keep the business running without disruption and pay them back on time via principal and interest.

Importantly, by asking companies to create a 13-week cash flow forecast lenders gain further comfort that management is "on top of it".

By creating a 13-week cash flow forecast, companies will identify if / when cash is tight (and they need to adjust the timing of spending plans or kick in additional money), or cash is flush (and they can catch up on previously deferred spending or invest further in growth). By thinking through the timing and levers of cash flows and coordinating with internal and external parties to ensure wires are set and commitments are met, companies naturally adopt the oversight approach expected from their institutional stakeholders.

Creating a 13-week Cash Flow Forecast

Basic format: Cash at the beginning of the week + change in cash = cash at the end of the week.

"Change in cash" is divided into cash inflows and outflows, with each category divided between operating (cash collections, wages paid, etc.) and non-operating activities (debt principal & interest, CapEx, etc.).

Cash, beginning of week
(+) operating cash inflows
(+) non-operating cash inflows
Total cash inflows
(-) operating cash outflows
(-) non-operating cash outflows
Total cash outflows
Cash, end of week

Take a look at the incoming / outgoing transactions in your checking account(s) to consider rows to include. We've created a template to jump-start efforts.

Bridging to Financial Statements

Creating weekly cash flow forecasts are often a manual exercise. As a result, it's important to ensure there is no disconnect from what is implied for your income statement and balance sheet on an aggregate monthly / quarterly basis (e.g., collecting on more A/R than is booked). It is good practice to create a bridge to monthly EBITDA and ending balance sheet figures to avoid conflicting information.

Utilizing the 13-week Cash Flow Forecast

The follow-on benefit of creating a 13-week cash flow forecast is utilizing it for stronger cash management. By rolling forward weekly and comparing prior forecasts to actual performance, companies can identify drivers of variance and understand how to correct. It also enables more informed conversations with stakeholders about what you're doing to ensure a conservative cash position.

Conclusion

13-week cash flow forecasts are an effective cash management tool. We've created a template to help companies create their 13-week cash flow forecast (link to download).