

The Statement of Cash Flows

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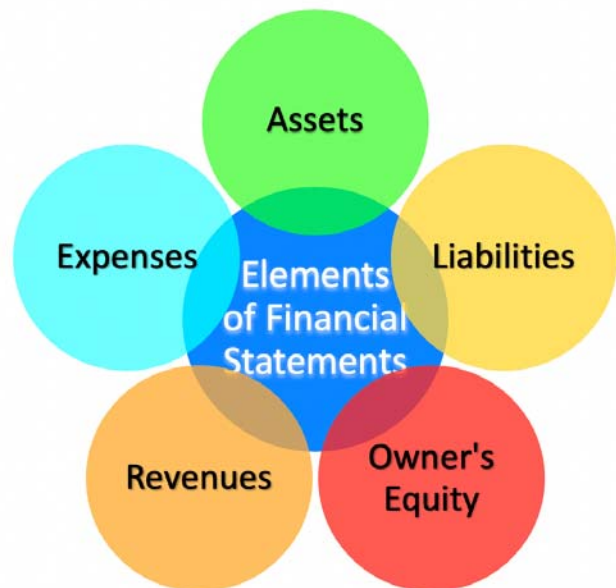


AGRICULTURE AND
BUSINESS MANAGEMENT
COLORADO STATE UNIVERSITY
EXTENSION



Financial Statements

1. Balance Sheet
2. Statement of Cash Flows
3. Income Statement
4. Statement of Owner Equity



What is a Statement of Cash Flows

- The cash flow statement summarizes the cash inflows (receipts) and outflows (expenditures) of a business over a specific time. The accounting period is usually one year divided into 12 monthly periods. The cash flow statement can be used in either of the following ways:
 - As a long-range projection or forecast of future operations (called pro forma or planning analysis).
 - As a historical (after the fact) record containing actual financial data.



How is a Cash Flow Statement Used?

Business Managers	Cash flow statements allow business managers to plan for times of cash surplus or when borrowed funds might be needed to cover cash deficits. They provide an early warning system for cash flow shortages.
Borrowers	Cash flow statements help a borrower determine the cash available for repaying debts.
Lenders	Cash flow statements help lenders analyze a proposed loan by showing the borrower's ability to generate sufficient cash to make payments without disrupting farm operations.



How to Create a Cash Flow Statement

Record cash inflow like the:

- Deposits in a check book
- Deposits on a bank statement
- Payments on a credit card statement

Record cash outflows like the:

- Record of checks in a check book
- Withdrawals on a bank statement
- Charges on a credit card statement



Step 1: List Cash Inflows and Outflows

<i>Cash in</i>	<i>Cash out</i>
<i>Jack's salary</i>	<i>Land/house</i>
<i>Joanie's salary</i>	<i>Truck</i>
	<i>Car</i>
	<i>Utilities</i>
	<i>Food</i>
	<i>Day care</i>
	<i>Clothing</i>
	<i>Fuel</i>
	<i>College Fund</i>
	<i>Sheep</i>
	<i>Garden</i>
	<i>Gifts</i>
	<i>Donations</i>



Step 2: Separate Personal and Business Cash Inflows and Cash Outflows

Cash in	Cash out
Jack's salary	Land/house
<u>Joanie's salary</u>	Truck
	Car
	Utilities
	Food
	Day care
	Clothing
	Fuel
	College Fund
	Sheep
	Garden
	Gifts
	Donations



Step 3: Estimate Projected Cash Inflows

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Cash Inflows													
Livestock Sales									325				325
Lvstk Product Sales					48								48
Other													
Flower Sales					5000	3000	3000	3000	3000	3000			20000
Total Cash inflows					5048	3000	3000	3000	3325	3000			20373



Step 4: Estimate Projected Cash Outflows

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Cash Outflows													
Seeds & Plants			1000	1000	100		500						2600
Fuel & Lube													
Insurance													
Supplies			958	90	90	90	90	90	90	90	90		
Utilities													
Labor													
Storage													
Misc.													

Step 5: Estimate Net Cash Flow

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Net Cash Flows													
Accumulated Cash Flows													



Types of Cash Flow Statements

- Historical cash flow statement
 - A record of actual data from a past time period
- Projected cash flow statement
 - Predicts future cash inflows and outflows based on currently known information
- Both types are useful to business managers



Monitoring Cash Flow

- Monitoring is particularly important if the cash flow statement/budget is to be followed closely.
- Monitoring periodically (e.g., monthly) allows the farmer or rancher to identify potential cash flow problems.
 - For example, if a vegetable grower observes that labor expenses are exceeding what was anticipated, the cash outflow can be adjusted in other areas to keep within the budget.
- Once a cash flow problem has been identified, corrective measures can be instituted.
- The cash flow statement can greatly assist the farmer or rancher in maintaining sufficient liquidity in the business.



How to Monitor Cash Flow

- Utilize the “Budget” module on your computerized record keeping system.
 - Most computerized record keeping systems will allow you to develop a monthly budget (cash flow) from the previous years income and expenses records.
 - Reports from the budget can be generated to show budgeted –vs- actual amounts on a monthly basis



CSU's Statement of Cash Flows



Financial Statements - Statement of Cash Flows, November 2020

By: Jeffrey E. Tranel, Jenny Beiermann, and R. Brent Young, Agriculture and Business Management Economists

A **Statement of Cash Flows** summarizes the cash inflows (receipts or income) and outflows (expenditures) of a business over a specific time period - typically monthly over one year. The statement is a projection of the amount and timing of cash expected to flow into and of the farm or ranch business during a future accounting period. It allows the manager or the lender to estimate the amount of cash and when that cash will be available (in the case of income) or needed (in the case of expenses).

A statement of cash flows is a useful management tool. The most important use is for planning. It provides an estimate of how the farm or ranch business will be operated for the next production year. It also establishes definite expectation that can be utilized as the framework for measuring or monitoring performance over the time period. Monitoring is particularly important if the cash flow statement is flowed closely. It allows the manager to identify potential cash flow problems. For example, if a rancher observes that veterinary expenses are exceeding the projected or anticipated amount, the manager can adjust cash outflows in other areas to keep within the budget.

This Excel template allows a person to enter financial information for the farm or ranch business and personal (and non-farm/ranch business) financial information. The user should first answer the questions shown below and then proceed to the cash flow statement by "clicking" on the tab found at the bottom of the screen. Data can be entered into any cell with blue colored numbers or a blank box. All other cells in the template have been locked.

Additional resources are available on CSU's Agriculture and Business Management web site: <https://abm.extension.colostate.edu>.

What is the name of the Farm/Ranch/Business?	<input type="text" value="Your Farm/Ranch Name"/>	What will be the beginning checking account balance?	<input type="text" value="\$0"/>
Under what type of legal entity does the Farm/Ranch operate?	<input type="text" value="Click on the icon to see a list of entity types."/>	What is the minimum amount desired in the checking account at the end of each month?	<input type="text" value="\$0"/>
Who is the primary contact for this farm or ranch?	<input type="text" value="Your Name"/>	What will be the interest rate for the operating loan?	<input type="text" value="0.000%"/>
For what year are the cash flows being projected?	<input type="text" value="2020"/>	What will be the operating loan balance at the beginning of the period (year)?	<input type="text" value="\$0"/>



CSU's Statement of Cash Flows

PROJECTED CASH FLOW STATEMENT - 2020 Your Farm/Ranch Name

	TOTAL	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
BEGINNING CASH BALANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OPERATING RECEIPTS													
Crops													
<input type="text"/>	0	0	0	0	0	0	0	0	0	0	0	0	0
<input type="text"/>	0	0	0	0	0	0	0	0	0	0	0	0	0
<input type="text"/>	0	0	0	0	0	0	0	0	0	0	0	0	0
<input type="text"/>	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Animals Raised													
<input type="text"/>	0	0	0	0	0	0	0	0	0	0	0	0	0
<input type="text"/>	0	0	0	0	0	0	0	0	0	0	0	0	0
<input type="text"/>	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Animals Purchased for Resale													
<input type="text"/>	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Income													
Custom Work	0	0	0	0	0	0	0	0	0	0	0	0	0
U.S.D.A Payments	0	0	0	0	0	0	0	0	0	0	0	0	0
APC-CO, ARC-IC, PLC	0	0	0	0	0	0	0	0	0	0	0	0	0
EQIP, Etc.	0	0	0	0	0	0	0	0	0	0	0	0	0
Conservation (including CRP)	0	0	0	0	0	0	0	0	0	0	0	0	0
Animal Products (eggs, wool, honey, etc.)	0	0	0	0	0	0	0	0	0	0	0	0	0
Rents	0	0	0	0	0	0	0	0	0	0	0	0	0
Crop Insurance Payments	0	0	0	0	0	0	0	0	0	0	0	0	0
Patronage Dividends	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest Earned	0	0	0	0	0	0	0	0	0	0	0	0	0
<input type="text"/>	0	0	0	0	0	0	0	0	0	0	0	0	0
<input type="text"/>	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL OPERATING RECEIPTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0



CSU's Statements of Cash Flows

CAPITAL SALES

Land	0	0	0	0	0	0	0	0	0	0	0	0	0
Breeding Stock	0	0	0	0	0	0	0	0	0	0	0	0	0
Machinery	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0
<input type="text"/>	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

NON-FARM INCOME

Wages	0	0	0	0	0	0	0	0	0	0	0	0	0
Rents	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest & Dividends	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0
<input type="text"/>	0	0	0	0	0	0	0	0	0	0	0	0	0
<input type="text"/>	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

TOTAL CASH AVAILABLE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
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CSU's Statements of Cash Flows

PROJECTED CASH FLOW STATEMENT - 2020 Your Farm/Ranch Name

	TOTAL	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
OPERATING EXPENSES													
Crops													
Seed	0	0	0	0	0	0	0	0	0	0	0	0	0
Herbicide	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Chemicals	0	0	0	0	0	0	0	0	0	0	0	0	0
Fertilizer	0	0	0	0	0	0	0	0	0	0	0	0	0
Irrigation Energy	0	0	0	0	0	0	0	0	0	0	0	0	0
Irrigation - Assessments	0	0	0	0	0	0	0	0	0	0	0	0	0
Custom Work Hired	0	0	0	0	0	0	0	0	0	0	0	0	0
Crop Consulting/Scouting	0	0	0	0	0	0	0	0	0	0	0	0	0
Insurance - Crop	0	0	0	0	0	0	0	0	0	0	0	0	0
Rent - Land	0	0	0	0	0	0	0	0	0	0	0	0	0
Rent - Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
Livestock													
Feed - Hay	0	0	0	0	0	0	0	0	0	0	0	0	0
Feed - Protein, Salt, Minerals, Etc.	0	0	0	0	0	0	0	0	0	0	0	0	0
Rent - Pasture	0	0	0	0	0	0	0	0	0	0	0	0	0
Rent - Animals	0	0	0	0	0	0	0	0	0	0	0	0	0
Vet & Medicine & A.I.	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
Animals for Sale	0	0	0	0	0	0	0	0	0	0	0	0	0
Other													
Hedging	0	0	0	0	0	0	0	0	0	0	0	0	0
Fuel & Oil	0	0	0	0	0	0	0	0	0	0	0	0	0
Insurance - General	0	0	0	0	0	0	0	0	0	0	0	0	0
Repairs - Irrigation	0	0	0	0	0	0	0	0	0	0	0	0	0
Repairs - Mch. & Equip.	0	0	0	0	0	0	0	0	0	0	0	0	0
Repairs - Fencing & Buildings	0	0	0	0	0	0	0	0	0	0	0	0	0
Labor - Wages	0	0	0	0	0	0	0	0	0	0	0	0	0
Labor - Benefits & Retirement	0	0	0	0	0	0	0	0	0	0	0	0	0
Labor - Workman's Comp	0	0	0	0	0	0	0	0	0	0	0	0	0
Labor - Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Freight/Trucking	0	0	0	0	0	0	0	0	0	0	0	0	0
Real Estate Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL OPERATING EXPENSES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CAPITAL PURCHASES													
Machinery & Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
Breeding Stock	0	0	0	0	0	0	0	0	0	0	0	0	0
Real Estate	0	0	0	0	0	0	0	0	0	0	0	0	0
Improvements	0	0	0	0	0	0	0	0	0	0	0	0	0
Other													
	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0



CSU's Statements of Cash Flows

PROJECTED CASH FLOW STATEMENT - 2020 Your Farm/Ranch Name

	TOTAL	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
Improvements	0	0	0	0	0	0	0	0	0	0	0	0	0
Other													
	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SCHEDULED LOAN PAYMENTS													
Real Estate													
Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Principal	0	0	0	0	0	0	0	0	0	0	0	0	0
Machinery & Equipment													
Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Principal	0	0	0	0	0	0	0	0	0	0	0	0	0
Short-Term Debts													
Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Principal	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Debt													
Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Principal	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Debt													
Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Principal	0	0	0	0	0	0	0	0	0	0	0	0	0
Total - Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total - Principal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total - P&I	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OTHER CASH OUTFLOWS													
Family Living	0	0	0	0	0	0	0	0	0	0	0	0	0
State Income Tax	0	0	0	0	0	0	0	0	0	0	0	0	0
U.S. Income Tax & Social Security	0	0	0	0	0	0	0	0	0	0	0	0	0
Retirement Contributions	0	0	0	0	0	0	0	0	0	0	0	0	0
Other													
	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL CASH OUTFLOWS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NET OF CASHFLOWS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0



CSU's Statements of Cash Flows

SUMMARY OF CASH POSITION & OPERATING LOAN

Beginning Cash Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Net of Cashflows	0	0	0	0	0	0	0	0	0	0	0	0	0
Amount to be Borrowed	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Loan													
Beginning Operating Loan Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Amount Borrowed	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Accrued Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Payments													
Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Principal	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Operating Loan Balance + Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Cash Balance	0	0	0	0	0	0	0	0	0	0	0	0	0



<https://abm.extension.colostate.edu>

- *Preparing and Analyzing a Cash Flow Statement (fact sheet)*
- *Completing a Statement of Cash Flows (Excel template)*
- *Understanding Your Financial Health using Ratio Analysis (Excel template)*
- *Getting on Track: Financial Statements (on-line course)*
- *Getting on Track: Financial Analysis (on-line course)*

Thank you

