



Cash Flow

Where Cash Flow Forecast Templates Fall Short

The accounting profession has undergone a dramatic evolution over the past few decades. Accountants of yesteryear primarily looked backwards, poring over historical docs to keep clients compliant.

But that's all changed. Today's firms need to help their clients see into the future, rather than just analyse the past.

Cash flow forecast templates have long been a staple of the accounting profession. Firms have traditionally relied on these tools to peek into their clients' future, determining how much cash they'll have and when. However, these tools have typically left a lot to be desired—and there's now a better way for accountants to generate forward-thinking cash flow predictions.

This blog will explain where cash flow forecasts fall short before outlining why firms should instead turn to forward-thinking prediction software.

What are cash flow forecast templates?

Accounting firms use cash flow forecast templates to create cash flow predictions for their clients. These forecasts synthesise businesses' historic numbers, analysing actual data (i.e. how the business has performed in the past) to generate forecast data (i.e. how it will likely perform in the future).

Cash flow forecast templates require accountants to plug in their clients' receipts and payments figures—in other words, all the cash that comes in and goes out of the business. When we say receipts, we don't just mean pesky papers that you stuff away in your wallet. Instead, this refers to your accounts receivables (unpaid money that clients owe you), sales collections (money you've received from clients), and debt drawdowns if the company has borrowed money.

When it comes to payments, most cash flow forecast templates account for the following categories: CapEx (money spent on new equipment, buildings, etc.), payroll (how much you pay your staff), taxes (such as corporation tax), and debt repayments (money spent towards paying off a debt).

But while most cash flow forecast templates utilise the same figures to create their predictions, that's not to say all templates are the same. Consider the report's granularity, for example. When businesses need to plan their short-term liquidity, they'll likely turn to daily reporting—but they'll use longer-term intervals when looking further into the future.



Why accountants should move beyond cash flow forecast templates

Cash flow forecasts are a solid tool—but your firm doesn't just want to be 'solid'. You want to delight your clients, providing them with so much value that they seek your advice before making any big decisions. Unfortunately, traditional cash flow forecast templates aren't up to the task. It'll take you so long to devise inflexible, potentially inaccurate predictions that you'll always be on the back foot.

Here are six reasons why.

1. Templates are static, unlike responsive algorithms

Cash flow forecasts certainly have benefits—but they're far from perfect. These static, rigid, inflexible financial models don't update in real-time. Accountants have to continually re-enter the correct data to ensure they're up-to-date for clients. Rather than providing an at-a-glance view of their client's figures, accountants must first put in significant legwork until they can access these key insights.

But what if you want to play around with your clients' data, testing out what would happen if they hired a new employee or opened up a new product line? You'd have to go back to the start and create a brand new model or risk messing up your carefully created template.

Business owners simultaneously operate on multiple timescales. They're constantly planning for the future, which requires precisely arranging every single piece on their business's chessboard. They don't just want to know what their cash flow will be in 12 months' time—they also want to zoom out and see what's in store over the next 24 and 36 months.

Unfortunately, this means more time and hassle for you. Every cash flow forecast requires its own template, which incurs yet more dreaded data entry.

2. They only use some data and not all

Most cash flow forecast templates focus on bills and invoices alone. While bills and invoices are undoubtedly a business's bread and butter, that's not all that impacts their cash flow. Take journal movements, for example. Not taking your journal movements into account will severely skew your cash flow—yet most forecast templates ignore them entirely.

COLLAPSE ACCOUNTS	Oct 22	Nov 22	Dec 22
Cash starting balance			
› Cash in			
› Cash out			
› Net cash flow	1,829	1,829	1,829
Cash closing balance			
Cash: business activities			
– Income			
– Shop Sales			
› Shop sales bud	4,800	-6,000	6000
› Wedding Sales			

3. Creating cash flow forecasts is overly time-consuming

You're a highly skilled financial advisor, so you shouldn't waste your time entering data into Excel spreadsheets (i.e. on creating 'traditional' cash flow forecasts).

Nowadays, there's no reason for accountants to still rely on manual forecasting, creating complex models from scratch and synthesising disparate data sources. There are better ways to spend your days. Why spend hours calculating your clients' future cash flow for the next 36 months when you could do it in seconds with automated prediction software?

4. Templates lack accuracy

Given that cash flow fluctuates with many variables, forecasting these numbers can be a daunting task. And if you're using Excel and Google Sheets, you may find yourself guessing or making assumptions based on past and inaccurate historical data. This leads to inaccurate predictions, which could convince your clients to take a critically damaging wrong turn.

5. They're prone to errors due to manual data entry

Manual data entry isn't just dull—it's also an accident waiting to happen. A single wrong decimal place could wreak havoc on your clients' cash flow forecasts. However, when you're hurriedly trying to complete a template and are thinking about your 1,0001 other deadlines, mistakes are more common than you think.

6. They don't provide real-time VAT calculations

It's incredibly challenging (and time-consuming) trying to calculate VAT or GST manually in spreadsheets—let alone doing this at scale for all of your clients. And if a customer decides to defer a payment, that might wreak havoc on the rest of your forecast, causing yet more hassle and time spent trying to resolve the issue.

Why prediction software beats cash flow forecast templates

If you empathise with any of the points listed above, don't worry—we've got a solution for you: prediction software. Advanced prediction software (like Futrli) provides more well-rounded and accurate predictions in a fraction of the time. So, how exactly does it work?

Let's take a deep dive into the Futrli platform, comparing its smart, real-time, user-friendly features with traditional manual forecasting in Excel.

A more holistic approach, leading to more accurate predictions

There's a reason why cash flow forecast templates have lasted so long: they work. Well, ish. Credit where credit's due—these forecasts provide useful basic predictions. But basic predictions alone aren't enough.

Futrli offers accounting firms the basics AND some. The platform provides you with an accurate base forecast, which you can then look to build out with your clients. The predictions tab features invoices, sales, costs, expenses, other P&L assets, and liabilities. It synthesises more data sources, leading to richer, more accurate predictions. Our algorithm also pulls every transaction—invoices, bills, cash, and journals—to analyse them and discover possible patterns/trends.

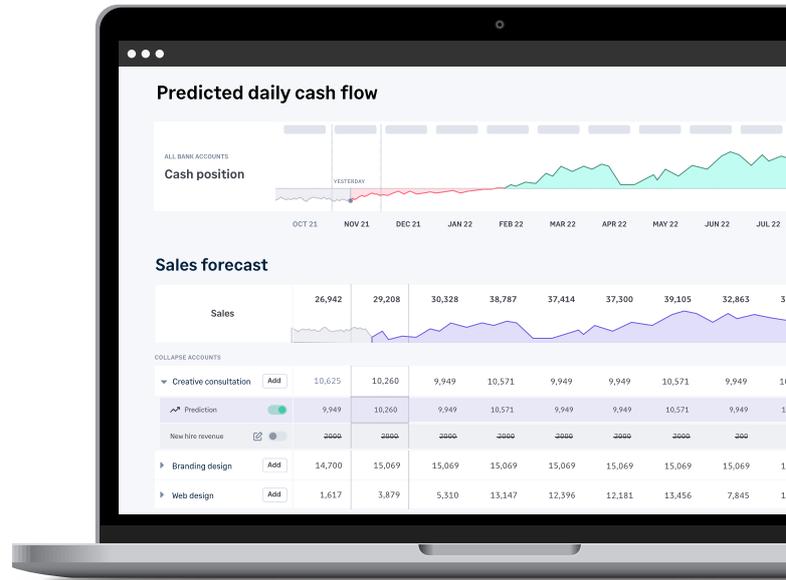
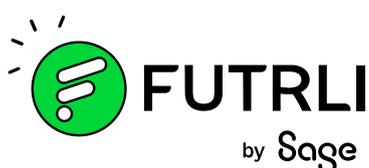
In other words, our platform leaves no stone unturned.

Understand the interplay between different areas of your clients' businesses

Every single penny that your clients spend/receive has a knock-on effect on the rest of the business. Only, cash is always coming into and leaving businesses—so cash flow forecasts created yesterday may no longer be relevant today.

Fortunately, prediction software accounts for this constant flux.

It's plugged directly into your accounting software, meaning every single transaction that comes in or leaves will have a cascading impact on the rest of the business. Think of it like a pinball that creates automatic impact calculations across areas like accounts payable, VAT, net profit, gross profit, current year earnings and so on.



Go beyond cash flow alone

Cash flow forecast templates do what they say on the tin: generating cash flow forecasts. Prediction software, however, is about so much more than cash flow forecasts alone. Futrli's 5-way forecasting technology provides businesses with a live view of:

- » Predicted cash
- » Predicted profit
- » Predicted sales
- » Predicted spend
- » Prediction assistant
- » Scenario modelling
- » Predicted due invoices and bills
- » Predicted tax (cash and accruals)

The more insights you generate, the more value you can add. Become a trusted business advisor and take your clients' businesses to the next level.

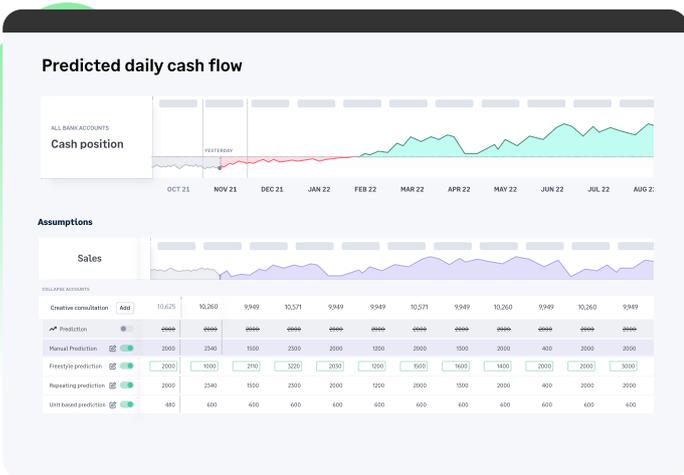
Nuanced predictions based on customer and supplier behaviour

Cash flow forecast templates generally assume a static, fixed payment cadence. Except, this isn't necessarily accurate. Businesses might have customers who always pay late, no matter how many times they're asked, or suppliers who struggle to stay on top of their admin and send out timely invoices.

Futrli's algorithm analyses these types of factors to add an extra level of nuance to your customers' cash flow predictions. The algorithm calculates the average days it takes to pay suppliers/be paid by customers, which is then aggregated by account. Generate cash flow predictions based on customer and supplier's actual behaviour—rather than what would happen if everyone was paid on time (which rarely happens!).

Your clients deserve more accurate predictions

As we enter a tricky economic period, your clients need accurate cash flow forecasts more than ever before.

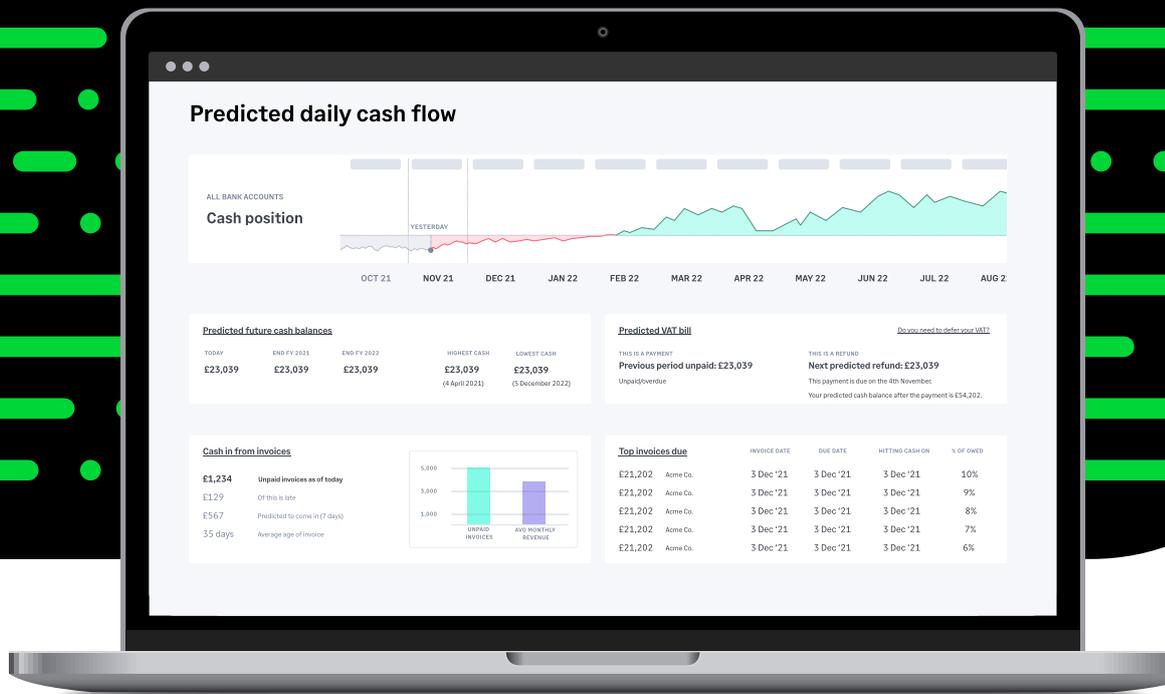


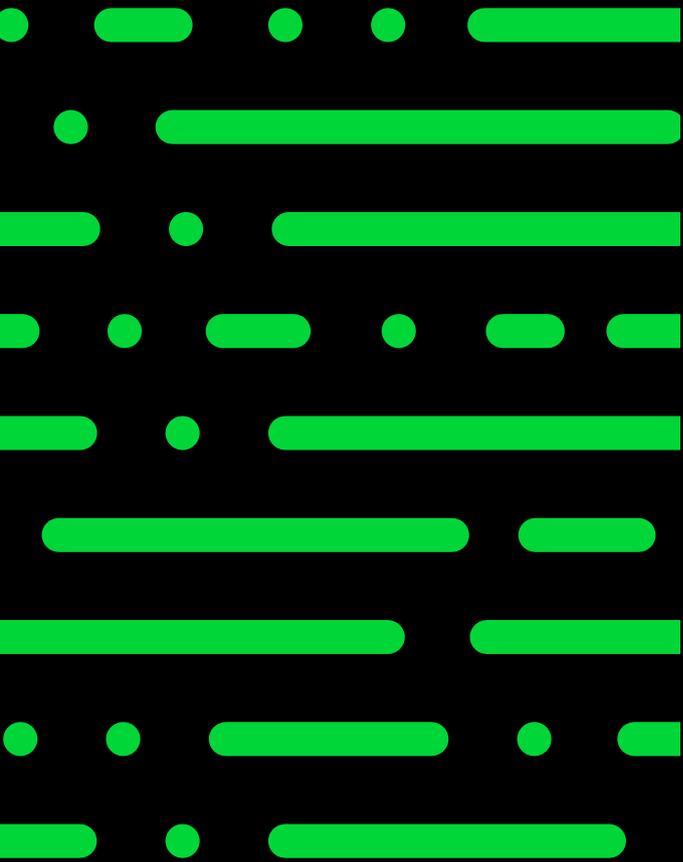
Unfortunately, cash flow forecast templates won't cut the mustard. They're too time-consuming to create, too inflexible to offer nuanced predictions, and only analyse a fraction of your client's business activity.

The solution? Advanced prediction software.

Prediction software like Futrli powers real-time, nuanced predictions that enable business owners to glimpse into their future in seconds. Help clients understand their cash flow for this month, this quarter, this year, or three years ahead.

To learn more about our advanced prediction software, sign up for a 14-day free trial today





34%

Average increase in productivity reported by customers

2.8x

Increase in income reported by Futrli customers in 2021

33%

Increase in available cash reported by customers

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