



Weekly cashflow forecast modeling

Software company

Built a 52-week cashflow forecast model with an ability to handle data in local currencies from 25 legal entities of the client

Software company needs projections for cash reserves

Picture this...

You’re looking for a cashflow forecast model that can be refreshed weekly to project cash reserves across all its legal entities. Currently, you are getting carved-out from a larger technology company and looking for an independent mechanism to track or forecast the cash reserves across the legal entities.

You turn to Accordion.

We partner with your team to build a 52-week cashflow forecast model with an ability to handle data in local currencies from 25 legal entities, including:

- 1) Building a weekly cashflow forecast model to summarize all the cash activities with major line items grouped under accounts receivable, accounts payable, payroll, OpEx, intercompany, etc.
- 2) Providing a 52-week cash outlook for each individual entity in local currency, along with consolidating weekly balances at the company level in USD
- 3) Incorporating the flexibility to consolidate cash at a corporate level by building a currency conversion matrix to handle the data in local currencies, for businesses with operations spread across the globe

Your value is enhanced.

You have the best-in-class forecasting processes to track the cash reserves during a critical period of the spin-off from the parent organization to enable more informed and strategic decisions about real-time opportunities and long-term trajectories. You have streamlined the entire cash forecast process by avoiding the multiplicity of data sources. The model can handle the data in multiple currencies and to make key decisions regarding pumping of cash, thereby maintaining healthy cash reserves across all the legal entities.

KEY RESULT

- Zero defaults on liabilities

VALUE LEVERS PULLED

- Consolidation of cashflow
- Forecast accuracy validation
- Weekly cashflow forecast model
- Currency conversion matrix

Weekly cashflow forecast model for a software company

Situation

- Client was getting carved-out from a larger technology company, and lacked an independent mechanism to track or forecast its cash reserves
- Partnered with the client to build a cashflow forecast model that can be refreshed weekly to project cash reserves across all its legal entities

Accordion Value Add

- Built a weekly cashflow forecast model to summarize all the cash activities with major line items grouped under accounts receivable, accounts payable, payroll, OpEx, intercompany, etc.
- Provided a 52-week cash outlook for each individual entity in local currency, along with consolidated weekly balances at the company level in USD
- Incorporated flexibility to consolidate cash at a corporate level by building a currency conversion matrix to handle the data in local currencies, for businesses with operations spread across the globe

Impact

- Weekly cashflow forecast model helped in having an independent mechanism to track its cash reserves during a critical period of its spin-off from the parent organization
- Based on our data tracking system, the client was able to streamline the entire cash forecast process by avoiding the multiplicity of data sources
- Ability of model to handle the data in multiple currencies helped the client in key decision-making regarding pumping of cash, thereby maintaining healthy cash reserves across all its legal entities and ensure zero defaults on liabilities

Methodology & approach

DISCRETE DATA SOURCES

- **AR TTM (Account Receivables - Trailing Twelve Months) data** provides the actual collections data over past 12 months
- **AP TTM (Account Payables - Trailing Twelve Months) data** file provides the actual amounts paid data over past 12 months
- **Payroll and Payroll Taxes** provides actual data of all the benefits extended to the employees
- **Daily Cash Report** provides ending cash balances for all legal entities on a weekly basis
- **Weekly Cash Collections** file provides forecast data for Accounts Receivable for next 52 weeks
- **Weekly AP Forecast** provides forecast data for Accounts Payable for next 52 weeks
- **Weekly Payroll Forecast** provides forecast data for payroll & benefits to be extended to the employees for next 52 weeks

CHALLENGES

- **Cash activities in multiple currencies** owing to the company's global presence
- Presence of **multiple sources of data** acting as a roadblock in importing forecast data into the model
- **Inconsistent data format** across the legal entities – weekly and monthly
- **Dynamic nature and unpredictable events affecting the cashflow forecasting**

VALUE-ADD

- **Developed a Currency Conversion Matrix** to transform multiple currencies into a more consumable format in USD
- **Built Cashflow Summary pages** in both Local Currency and USD at Legal Entity level, and a consolidated page at company level
- **Prepared a Data tracker** to avoid multiplicity in data after reconciling all the line items in the data sources
- **Streamlined the transformation of input data in monthly format into weekly**, thereby allowing the input data in any format
- **Created Manual Override and Adjustment input tabs** to nullify the impacts of unpredictable events in cashflow forecast
- **Built a mechanism to track and compare Actuals & Forecast** for any particular week, and **Forecast & Forecast** for any two consecutive weeks, thereby helping in making the forecasting process robust

Cashflow summary at the entity level

			52-week forecast and actuals for previous week									
			Select Current Week's Starting Date									
			Week 1									
			Week 1		Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9
			Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
LegalEntity - US	Beginning Cash	Beginning Cash	\$ 121,503,133	\$ 120,612,182	\$ 119,973,168	\$ 119,515,832	\$ 119,497,584	\$ 119,602,831	\$ 119,886,301	\$ 120,249,743	\$ 121,150,098	\$ 122,135,608
	Inflows	Trade AR	\$ 1,120,000	\$ 1,254,400	\$ 1,404,928	\$ 1,573,519	\$ 1,762,342	\$ 1,973,823	\$ 2,210,681	\$ 2,475,963	\$ 2,773,079	\$ 3,105,848
		Other Collections	-	-	-	-	-	-	-	-	-	-
		Debt Proceeds	-	-	-	-	-	-	-	-	-	-
		Intercompany receipts	-	-	-	-	-	-	-	-	-	-
		Total Inflows	\$ 1,120,000	\$ 1,254,400	\$ 1,404,928	\$ 1,573,519	\$ 1,762,342	\$ 1,973,823	\$ 2,210,681	\$ 2,475,963	\$ 2,773,079	\$ 3,105,848
	Outflows	Trade AP and Opex	\$(62,663)	\$(118,984)	\$(64,497)	\$(65,276)	\$(109,776)	\$(87,686)	\$(63,340)	\$(71,430)	\$(80,577)	\$(101,940)
		Payroll & benefits	\$(199,507)	\$(185,917)	\$(167,108)	\$(156,327)	\$(177,886)	\$(172,016)	\$(181,635)	\$(170,362)	\$(157,669)	\$(184,365)
		Commissions	-	-	-	-	-	-	-	-	-	-
		Debt Payments	-	-	-	-	-	-	-	-	-	-
		Taxes	-	-	-	-	-	-	-	-	-	-
		Intercompany disbursements	-	-	-	-	-	-	-	-	-	-
		Misc./Other	\$(1,928,910)	\$(1,784,528)	\$(1,800,713)	\$(1,530,396)	\$(1,544,453)	\$(1,629,573)	\$(1,766,794)	\$(1,511,481)	\$(1,739,169)	\$(1,983,250)
		TSA & One-Time costs	\$ 180,129	\$ 196,015	\$ 170,054	\$ 160,232	\$ 175,020	\$ 198,923	\$ 164,529	\$ 177,665	\$ 189,846	\$ 186,415
		Others II	-	-	-	-	-	-	-	-	-	-
		Total Outflows	\$(2,010,951)	\$(1,893,414)	\$(1,862,264)	\$(1,591,767)	\$(1,657,095)	\$(1,690,352)	\$(1,847,240)	\$(1,575,608)	\$(1,787,569)	\$(2,083,140)
	Financing	Debt Inflows	-	-	-	-	-	-	-	-	-	-
		Equity Inflows	-	-	-	-	-	-	-	-	-	-
		Interest Payments	-	-	-	-	-	-	-	\$(120,000)	-	-
		Principal Repayments	-	-	-	-	-	-	-	-	-	-
		Dividends	-	-	-	-	-	-	-	-	-	-
		Equity Outflows	-	-	-	-	-	-	-	-	-	-
		Others	-	-	-	-	-	-	-	-	-	-
	Total Change in Cash due to Financing		-	-	-	-	-	-	-	\$(120,000)	-	-
	Net Cash	Net Change in Cash	\$(890,951)	\$(639,014)	\$(457,336)	\$(18,248)	\$ 105,247	\$ 283,471	\$ 363,441	\$ 900,355	\$ 985,510	\$ 1,022,708
	Ending Cash	Ending Cash	\$ 120,612,182	\$ 119,973,168	\$ 119,515,832	\$ 119,497,584	\$ 119,602,831	\$ 119,886,301	\$ 120,249,743	\$ 121,150,098	\$ 122,135,608	\$ 123,158,316

All major line items impacting beginning and ending cash balances

Cashflow summary at the company level

			Consolidated 52-week forecast and actuals for previous week									
			Select Current Week's Starting Date									
			Week 1									
			Actual	Week 1 Forecast	Week 2 Forecast	Week 3 Forecast	Week 4 Forecast	Week 5 Forecast	Week 6 Forecast	Week 7 Forecast	Week 8 Forecast	Week 9 Forecast
Beginning Cash	Beginning Cash	Consolidated Beginning Cash	\$ 154,290,027	\$ 162,376,230	\$ 151,801,902	\$ 151,516,418	\$ 152,042,551	\$ 150,536,506	\$ 156,597,391	\$ 164,359,258	\$ 159,718,865	\$ 154,675,455
Inflows	Trade AR	Consolidated Trade AR	\$ 9,680,899	\$ 9,272,221	\$ 9,958,342	\$ 9,617,107	\$ 9,026,016	\$ 9,801,960	\$ 9,239,229	\$ 9,774,215	\$ 9,563,859	\$ 9,990,133
Outflows	Trade AP and Opex	Consolidated Trade AP and	\$(1,540,724)	\$(1,152,203)	\$(1,947,870)	\$(1,576,132)	\$(1,727,402)	\$(1,625,829)	\$(1,975,879)	\$(1,008,650)	\$(1,800,237)	\$(1,032,213)
Outflows	Payroll & benefits	Consolidated Payroll & Bene	\$(6,506,026)	\$(5,004,036)	\$(5,860,313)	\$(5,086,601)	\$(5,273,147)	\$(5,535,486)	\$(6,616,850)	\$(6,197,563)	\$(5,306,448)	\$(6,263,566)
Outflows	Commission s	Consolidated Commissions	-	-	\$(5,392,024)	-	-	\$(5,368,043)	\$(5,368,043)	\$(5,404,816)	-	-
Outflows	Debt Payments	Consolidated Debt Payment	-	-	-	-	-	-	-	-	-	-

Currency conversion matrix

List of countries in which the client company has a presence

List of currencies in which cash activities happen

Conversion Rates to USD (USD per Unit)														
Country	Local Currency	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13
U.S.	USD	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
U.K.	GBP	1.35	1.36	1.35	1.36	1.37	1.37	1.37	1.39	1.41	1.39	1.38	1.39	1.39
Canada	CAD	0.78	0.78	0.78	0.78	0.78	0.78	0.79	0.79	0.79	0.79	0.79	0.80	0.80
Germany	EUR	1.22	1.23	1.22	1.21	1.21	1.21	1.21	1.21	1.22	1.20	1.19	1.19	1.19
Italy	EUR	1.22	1.23	1.22	1.21	1.21	1.21	1.21	1.21	1.22	1.20	1.19	1.19	1.19
Netherland	EUR	1.22	1.23	1.22	1.21	1.21	1.21	1.21	1.21	1.22	1.20	1.19	1.19	1.19
France	EUR	1.22	1.23	1.22	1.21	1.21	1.21	1.21	1.21	1.22	1.20	1.19	1.19	1.19
Australia	AUD	0.76	0.77	0.77	0.77	0.77	0.76	0.77	0.78	0.79	0.78	0.77	0.77	0.77
India	INR	0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.014	0.014
Country 10	CR10	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Country 11	CR11	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Country 12	CR12	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Country 13	CR13	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Country 14	CR14	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Country 15	CR15	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Country 16	CR16	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Country 17	CR17	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Country 18	CR18	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Country 19	CR19	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Country 20	CR20	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Country 21	CR21	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Country 22	CR22	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Country 23	CR23	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Country 24	CR24	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Country 25	CR25	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Provided flexibility to add more countries