



# Cash flow forecasting

## Travel & entertainment company

Developed a short-term (13 weeks) forecast model to track the impact on the actual 'cash' line items due to the increased cancellations & refund requests because of the outbreak of COVID -19

# Cash flow forecast modeling

## Situation

- With the outbreak of COVID-19, client witnessed a decline in revenues and increase in cash outflows due to show cancellations & refund requests. Hence, it was imperative to monitor the cash flow forecasts closely on a weekly basis as against the current monthly/quarterly forecasting.
- Partnered with the client and developed a 13-week cashflow forecast model to track actual 'Cash' line items that provided visibility into the cash inflows & outflows

## Accordion Value Add

- Designed & delivered the weekly forecast model based on cash inflow/outflow characteristics of the business, with very short TAT
- Analyzed the client's indirect cash flow model to convert the accrual-based line items into cash-based, to be used in the direct forecast model
- Developed custom logic for each line item to break-out values from the monthly model to a weekly level for the forecast.
- Added various flexibility features to the model, such as flexibility to input weekly or monthly data, guided workflow that alerts deviation from the model workflow, flexibility to add / remove line-items and to expand model to a 26 / 52 weeks forecast
- Added detailed variance analysis at cumulative and individual week level that compares 'Actual' values with 'Current' forecasts and the 'Old' forecast with the new forecast

## Impact

- Weekly Forecast Model enabled the client to track the 'Cash' performance and adjust their new forecasts (e.g., changing the structure of refunds and other major outflows) based on the variances between the 'Actuals' and old forecasts and the ending cash balances
- Helped the client to track the weekly forecast trends at a line item level and enabled deep-dive, which allowed them to take appropriate actions to balance the cashflows (e.g., deciding on the timing and structure of a loan)

# Cash flow forecast outputs – 13-week comparison

Select a Week's Commencing Date		Last Week's Actuals + Latest Week's 12 Week Forecast	Last Week's 13 Week Forecast	Variance	
4/6/2020		Actuals - Apr 6, 2020 to Apr 12, 2020	Forecast as of Apr 6, 2020 - Apr 6, 2020 to Jul 5, 2020	Variance	Variance Percentage
Refresh		Forecast as of Apr 13, 2020 - Apr 13, 2020 to Jul 5, 2020		Actuals + Latest Forecast - Last Week's Forecast	Variance/Last Week's Forecast
<b>Cash Balance</b>	<b>Beginning</b>	<b>\$3,000,000</b>	<b>\$2,500,000</b>	<b>\$500,000</b>	<b>20%</b>
<b>Refunds</b>	<b>Inflow</b>				
	Dated	\$1,900,000	\$1,800,000	\$100,000	6%
	Remaining Dated	\$2,050,000	\$1,900,000	\$150,000	8%
	Others	\$1,900,000	\$1,800,000	\$100,000	6%
	Non-dated	\$2,000,000	\$1,850,000	\$150,000	8%
	<b>Total Inflow</b>	<b>\$7,850,000</b>	<b>\$7,350,000</b>	<b>\$500,000</b>	<b>7%</b>
	<b>Outflow</b>				
	Dated	\$3,350,000	\$3,250,000	\$100,000	3%
	Remaining Dated	\$3,450,000	\$3,300,000	\$150,000	5%
	Others	\$3,350,000	\$3,250,000	\$100,000	3%
	Non-dated	\$3,500,000	\$3,350,000	\$150,000	4%
	<b>Total Outflow</b>	<b>\$13,650,000</b>	<b>\$13,150,000</b>	<b>\$500,000</b>	<b>4%</b>

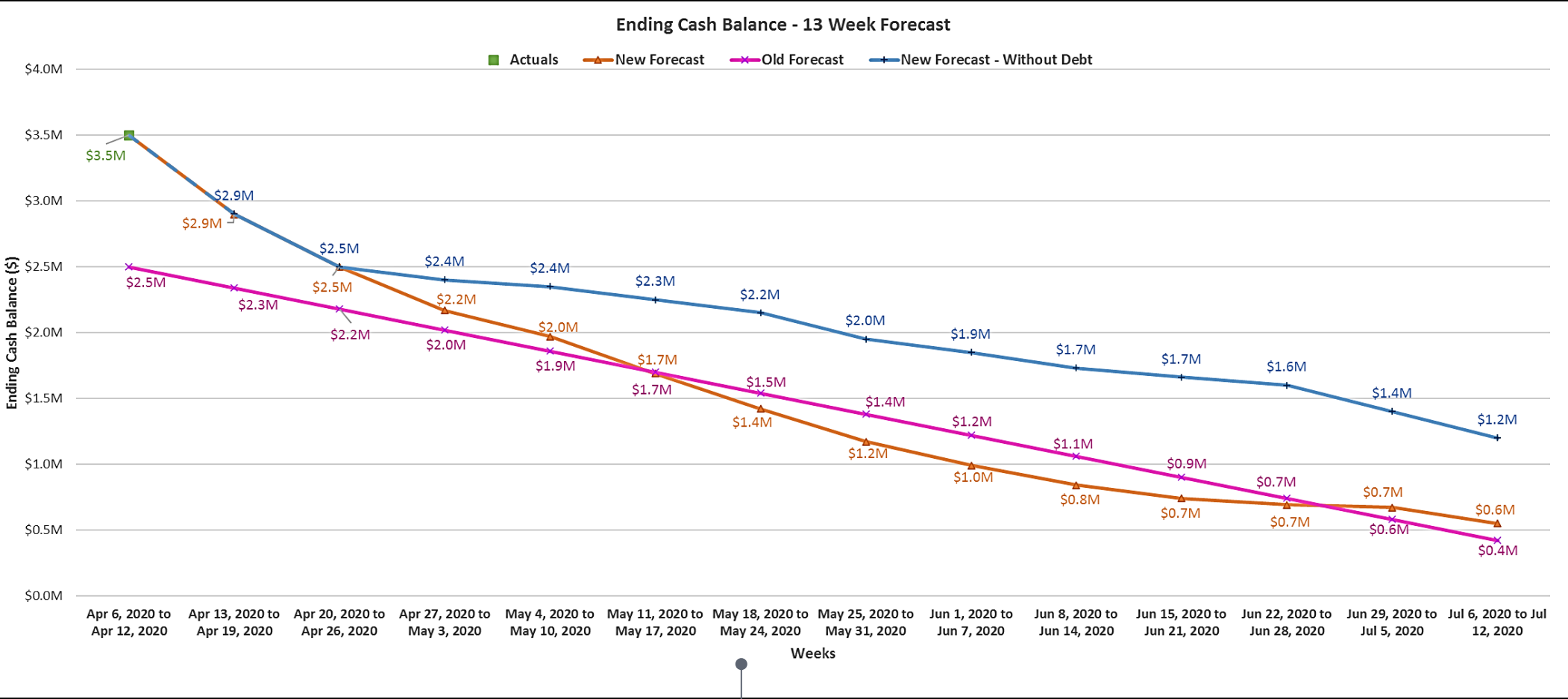
Forecasted different line items of cash including refunds to customers (outflow) and refunds from vendors (inflow)

Current week actuals plus 12 weeks forecast (as of prior week)

13 weeks forecast (as of prior week)

Variance indicates real-time trends/risk of reducing cash balance

# 13 weeks ‘w-o-w’ cash balance comparison



Compared the Actual weekly Cash Balance with the Old Weekly Cash Balance Forecast against the New/Updated Weekly Cash Balance Forecast