

Your last quarter was probably a tough one in terms of cash flows. You had to make a lot of investments but your ability to create new demand and revenue was still limited. The current quarter could be as rough because you do not know yet how these investments will play out. You are facing a lot of risks. It is time to check your pro forma financial statements.

You can project the firm's cash flow position for the current quarter given all of your business decisions and your production simulation. **If you have revised your business strategy and tactics as a result of new business conditions, then you should work these changes into your pro forma financial planning.**

YOUR TASK

The objective of the pro forma analysis is to observe the effect of your tactical decisions and plans on your financial position. Are you satisfied with it? If not, figure out what must be changed in your plan, make the changes, then rerun the production simulation and check your projected financial position again.

If the numbers are acceptable, try a different demand or operating scenario and re-compute the pro forma cash flow. This will help you understand how your decisions are likely to play out in the financial accounts.