Cash Flow Forecast Sample

BC4315/BC4315F
Surveying Studio II
Week No. 10

Part A

Prepare a cash flow forecast in a tabular form with reference to the following information:

- Contract Sum for Main Contract Works: HK$180,000,000 including a Provisional Sum of HK$10,000,000 for Contingencies and Prime Cost Sum of HK$40,000,000 for Nominated Sub-Contract M&E works and
- Contract Period – Main contract: 25 months
- Contract Period – Sub-Contract M&E works: 18 months (Start from Week 8 of the main Contract Period)
- Retention: 10% (5% maximum)

Part B

Cash flow forecast is usually compared with the actual expenditure. Please discuss the reasons for the difference between these two types of data.

Part C

A proposed development for the construction of a residential building is 40-storey high. The Architect has issued the following Architect's Instructions during the contract period. Please assess the following variations for final account settlement with the Main Contractor:

A.I. No.	Brief Content
MC-012	Omit one storey residential floor, instructed when the construction of the R.C. structure reached 35/F
MC-025	Change the toilet floor ceramic tiles from size 100 x 100mm to 300 x 300mm tiles with 50mm wide border tiles around the toilet floor, instructed when 100 x 100mm tiles were already delivered to site
MC-048	Replace glass block wall with R.C. wall for external wall of typical lift lobbies, instructed when the R.C. frames are completed and glass blocks are installed up to 5/F

Answer:

Proposed Residential Development
Main Contract Works
Cash Flow Forecast as at 1 Oct 2007
Building Works

	HK$M
Contract Sum	180
PC Sum	-40
	140
Max Retention (5%)	7
Contingencies	10

5% on Builder's work contract sum

One molety of retention to be released upon Issue of PC
Remaining retention to be released upon expiry of DLP

Month	A Gross certified payment $M	B Retention $M	C Release of retention $M	D = A-B+C Net Amount Due $M	Assumed % of work done
1	2.665	0.2665		2.3985	2.05
2	3.042	0.3042		2.7378	2.34
3	3.198	0.3198		2.8782	2.46
4	3.354	0.3354		3.0186	2.58
5	3.731	0.3731		3.3579	2.87
6	4.264	0.4264		3.8376	3.28
7	4.667	0.4667		4.2003	3.59
8	5.07	0.507		4.563	3.9
9	5.46	0.546		4.914	4.2
10	5.863	0.5863		5.2767	4.51
11	6.396	0.6396		5.7564	4.92
12	6.799	0.6799		6.1191	5.23
13	7.202	0.7202		6.4818	5.54
14	7.462	0.7462		6.7158	5.74
15	7.462	0.0827		7.3793	5.74
16	6.929			6.929	5.33
17	6.539			6.539	5.03
18	6.396			6.396	4.92
19	6.136			6.136	4.72
20	5.33			5.33	4.1
21	5.33			5.33	4.1
22	4.537			4.537	3.49
23	4.264			4.264	3.28
24	4.134			4.134	3.18
25	3.77		3.5	7.27	2.9
31	5			5	
37	5		3.5	8.5	
	140	7	7	140	100

180
-) 40 R.C
-) 10 Contingency
130

130 x 2.05%
= 2.665

↳ This the contingency sum (10M) (F/A) 2
i) assume the Variation settled at the Measurement Period.

FS/CE
(A.) 8.

Proposed Residential Development
Main Contract Works
Cash Flow Forecast as at 1 Oct 2007

M&E Works

	HK$M
Subcontract Sum	40
Max Retention (5%)	2

One moiety of retention to be released upon issue of PC
Remaining retention to be released upon expiry of DLP

Month	A Gross certified payment $M	B Retention $M	C Release of retention $M	D = A-B+C Net Amount Due $M	Assumed % of workdone
1	0	0		0	0
2	0	0		0	0
3	0	0		0	0
4	0	0		0	0
5	0	0		0	0
6	0	0		0	0
7	0	0		0	0
8	1.16	0.116		1.044	2.9
9	1.36	0.136		1.224	3.4
10	1.444	0.1444		1.2996	3.61
11	1.688	0.1688		1.5192	4.22
12	1.936	0.1936		1.7424	4.84
13	2.188	0.2188		1.9692	5.47
14	2.44	0.244		2.196	6.1
15	2.688	0.2688		2.4192	6.72
16	2.94	0.294		2.646	7.35
17	3.192	0.2156		2.9764	7.98
18	3.144			3.144	7.86
19	2.896			2.896	7.24
20	2.736			2.736	6.84
21	2.508			2.508	6.27
22	2.28			2.28	5.7
23	1.96			1.96	4.9
24	1.824			1.824	4.56
25	1.616		1	2.616	4.04
31					
37			1	1	
	40	2	2	40	100

Proposed Residential Development
Main Contract Works

Cash Flow Forecast as at 1 Oct 2007

Month	A Building Works $M	B M&E Works $M	C=A+B Total $M	Cumulative Total $M
1	2.3985	0	2.3985	2.3985
2	2.7378	0	2.7378	5.1363
3	2.8782	0	2.8782	8.0145
4	3.0186	0	3.0186	11.0331
5	3.3579	0	3.3579	14.391
6	3.8376	0	3.8376	18.2286
7	4.2003	0	4.2003	22.4289
8	4.563	1.044	5.607	28.0359
9	4.914	1.224	6.138	34.1739
10	5.2767	1.2996	6.5763	40.7502
11	5.7564	1.5192	7.2756	48.0258
12	6.1191	1.7424	7.8615	55.8873
13	6.4818	1.9692	8.451	64.3383
14	6.7158	2.196	8.9118	73.2501
15	7.3793	2.4192	9.7985	83.0486
16	6.929	2.646	9.575	92.6236
17	6.539	2.9764	9.5154	102.139
18	6.396	3.144	9.54	111.679
19	6.136	2.896	9.032	120.711
20	5.33	2.736	8.066	128.777
21	5.33	2.508	7.838	136.615
22	4.537	2.28	6.817	143.432
23	4.264	1.96	6.224	149.656
24	4.134	1.824	5.958	155.614
25	7.27	2.616	9.886	165.5
31	5	0	5	170.5
37	8.5	1	9.5	180
	140	40	180	

Note:
1. This cash flow forecast is prepared based on Contractors' programme which may change from time to time during construction stage
2. This cash flow forecast is prepared based on awarded Contract Sum for Main Contract and future cash flow forecast will be updated once the anticipated final contract sum is reported in the financial statement
3. Client shall also note the honouring period when considering this cash flow forecast.