

Cash-flow forecasting: will the smoothie truck run dry?

Learner tasks | Original TBS lesson for International GCSE Business (Pearson Edexcel 4BS1 content, exams from 2027, section 3.2 Cash flow forecasting; not Cambridge IGCSE)

Lena runs a smoothie truck on the seafront of a holiday town. Sales are high in the busy months and fall in the rainy season. She plans to replace her old freezer and blenders in Month 2. Will she run out of cash, and what should she do about it?

Before you start you should know: net cash flow = cash inflows - cash outflows. Closing balance = opening balance + net cash flow. Each month's opening balance is the previous month's closing balance. Negative figures are shown in brackets, for example (150). You need a calculator. This is original classroom practice, not an exam paper. Lena's business and every figure are fictional; all amounts are in dollars (\$).

What Lena expects

Item	Expected amount
Opening cash balance, Month 1	\$2,000
Sales (all paid in cash)	Month 1 \$6,000, Month 2 \$5,500, Month 3 \$4,000, Month 4 \$3,500, Month 5 \$6,500, Month 6 \$8,000
Ingredients	30% of that month's sales
Wages	\$2,200 every month
Pitch rent	\$800 every month
Loan repayment	\$500 every month
New freezer and blenders	\$2,500, paid in Month 2

Starter: cash or profit?

Write cash or profit for each statement.

Statement	Cash or profit?
(i) The money a business holds in its bank account at a point in time	
(ii) Revenue minus costs over a period	
(iii) What a business needs to pay its suppliers and staff on time	

Task 1: complete the forecast (\$)

Month 1 is done for you. Complete Months 2 to 6. Ingredients cost 30% of that month's sales. Net cash flow = inflows - outflows; closing balance = opening balance + net cash flow. Show negative figures in brackets.

\$	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Cash inflows: sales	6,000	5,500	4,000	3,500	6,500	8,000
Ingredients	1,800					
Wages	2,200	2,200	2,200	2,200	2,200	2,200
Pitch rent	800	800	800	800	800	800
Loan repayment	500	500	500	500	500	500
New freezer and blenders	0	2,500	0	0	0	0
Total cash outflows	5,300					
Net cash flow	700					
Opening balance	2,000					
Closing balance	2,700					

Working space:

Task 2: read the forecast

a. In which months is the closing balance negative? Which month has the lowest balance, and what is it?

b. Lena says, "My sales are much higher than my costs in most months, so I cannot run out of cash." Explain why she could still run out of cash. Refer to the forecast.

Task 3: delay the freezer

Lena could wait and buy the freezer and blenders (\$2,500) in Month 6 instead of Month 2. Everything else stays the same, so only two months change: the outflows fall by \$2,500 in Month 2 and rise by \$2,500 in Month 6. Use your Task 1 figures to calculate the new closing balances.

\$	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
New closing balance	2,700					

Working space:

Does delaying the purchase solve the problem? Explain in one sentence.

Task 4: three ways to fix it (pairs)

With a partner, give one advantage and one disadvantage of each option for Lena.

Option A: delay the freezer and blenders to Month 6. Advantage and disadvantage:

Option B: arrange a bank overdraft of \$1,500. Advantage and disadvantage:

Option C: employ one fewer worker in Months 3 to 5, cutting wages. Advantage and disadvantage:

Task 5: recommend

Write about 80 words recommending ONE option to Lena. Use at least two figures from your forecast and explain why your option is better than one of the others.

Exit ticket

a. A business has an opening balance of \$1,000, cash inflows of \$4,000 and cash outflows of \$4,600. Calculate its closing balance.

b. Give one reason why cash is important to a business.
