

## CASE STUDY

### Your Franchised Business's Cash Flow

Figure 11-8 identifies a projected cash flow for "Your Franchised Business." Sources of cash and anticipated disbursements for the next twelve months have been projected. Net profit amounts, loan payments, withdrawals, depreciation, and income tax payments have been carefully determined. The result is that a net cash flow as well as a cumulative cash flow is available as a planning or control tool as well as a projection of cash sources and disbursements that can help others identify anticipated results of your business in its first year. After carefully examining the projected cash flow figures, answer the following questions.

	Preoperating	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Total
<b>Cash Sources</b>														
Equity	\$20,000	—	—	—	—	—	—	—	—	—	—	—	—	\$20,000
Loan	\$65,000	—	—	—	—	—	—	—	—	—	—	—	—	\$65,000
Net Profit	0	478	1,001	2,234	1,738	1,491	1,745	1,749	1,752	2,008	2,010	2,264	2,267	\$20,737
Depreciation	0	300	300	300	300	300	300	300	300	300	300	300	300	\$3,600
<b>Total</b>	<b>\$85,000</b>	<b>778</b>	<b>1,301</b>	<b>2,534</b>	<b>2,038</b>	<b>1,791</b>	<b>2,045</b>	<b>2,049</b>	<b>2,052</b>	<b>2,308</b>	<b>2,310</b>	<b>2,564</b>	<b>2,567</b>	<b>\$109,337</b>
<b>Disbursements</b>														
Purchase of Business	\$50,000	—	—	—	—	—	—	—	—	—	—	—	—	\$50,000
Franchise Royalty Fee	\$9,200	—	—	—	—	—	—	—	—	—	—	—	—	\$9,200
Improvements and Equipment	\$17,000	—	—	—	—	—	—	—	—	—	—	—	—	\$17,000
Deposits	\$1,400	—	—	—	—	—	—	—	—	—	—	—	—	\$1,400
Loan Payments (Principal)	0	400	405	410	415	420	425	430	435	440	445	450	455	\$5,130
Owner's Draw	0	1,000	1,000	1,000	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	\$13,800
Income Taxes	0	—	—	—	—	—	—	\$1,047	—	—	—	—	—	\$1,047
<b>Total</b>	<b>\$77,600</b>	<b>1,400</b>	<b>1,405</b>	<b>1,410</b>	<b>1,615</b>	<b>1,620</b>	<b>1,625</b>	<b>2,677</b>	<b>1,635</b>	<b>1,640</b>	<b>1,645</b>	<b>1,650</b>	<b>1,655</b>	<b>\$97,577</b>
<b>Net Cash Flow</b>	<b>\$7,400</b>	<b>(622)</b>	<b>(104)</b>	<b>1,124</b>	<b>423</b>	<b>171</b>	<b>420</b>	<b>(628)</b>	<b>417</b>	<b>668</b>	<b>665</b>	<b>914</b>	<b>912</b>	<b>\$11,760</b>
<b>Cumulative Cash Flow</b>	<b>\$7,400</b>	<b>6,778</b>	<b>6,674</b>	<b>7,798</b>	<b>8,221</b>	<b>8,392</b>	<b>8,812</b>	<b>8,184</b>	<b>8,601</b>	<b>9,269</b>	<b>9,934</b>	<b>10,848</b>	<b>11,760</b>	

FIGURE 11-8

Your Franchised Business Projected Cash Flow—2008