

# **ACTUAL & PROJECTED CASH FLOWS**

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## **INTRODUCTION**

This article describes the actual and projected cash flow worksheets that are included in the ranch analysis spreadsheet template (see previous article).

Cash-flow analysis is an important step in taking control of any agricultural business. This is especially true in the ranching industry. In ranching, expenses happen on a daily basis, but the main income occurs only one or two times a year. The allocation of income to cover expected costs throughout the year will help ensure that all credit obligations are met. It is equally important not only to track current cash flows, but also to project at the start of the production year all expected income and expenditures. Once expected income and expenditures are recorded, comparisons can be made between projected and actual cash flows to help point out any discrepancies.

Actual cash flow allows the user to summarize all cash receipts (inflows) and expenditures (outflows) affecting the ranch during the yearly business cycle. Daily receipts and expenditures are organized into categories and entered on the actual cash flow worksheet for the end of each month. Actual cash flow values can then be used to evaluate historical cash performance of the business, as well as serve as a guide for future cash flow needs throughout the current business year.

The projected cash flow worksheet is a summary of monthly cash receipts and expenditures projected or expected for the upcoming year. The projected cash

flow worksheet should be completed *before* the start of the year so that it shows when and where irregular transactions occur throughout the year and identifies if total expenditures are increasing at an unanticipated rate.

The projected cash flow worksheet in the spreadsheet template is linked to the actual cash flow worksheet and provides a monthly and year-end comparison between the two worksheets. Differences between monthly and projected transactions are reported below each of the totals and subtotals. A graphical presentation of the ending monthly cash balance is automatically shown on the net cash position worksheet.

## **COMPONENTS OF THE WORKSHEETS**

Both of the cash flow worksheets are broken up into twelve main areas by type of receipt and expenditure. Under each of the main receipt and expenditure areas are subcategories further defining each cash entry. Each of the twelve main areas is presented below with descriptions of what is contained within the areas and, where appropriate, examples of data entries are presented. Data should only be entered in the areas shaded in green on the worksheets. All other areas are calculated fields and fill in when the information is provided in the green shaded sections.

*1) Price and Number of Head*—This area is for recording the number of head sold and the price received per head for the different classes of animals sold: fall and spring calves, yearlings, cull cows, and cull bulls. Operating receipts and some of the capital receipts are calculated from this information and reported in the proper area of the worksheets.

Example 1 demonstrates the first two sections of the cash flow worksheet. In this example, a ranch sells 100 spring

## Example 1. Operating Receipts

	Sept.	Oct.	Nov.	Dec.	Year End Year to Date
# of Spring Calves (Steers)		100	96		196
Spring Calf Price (\$ Per Head)		\$318.75	\$318.75		\$318.75
# of Spring Calves (Heifers)		96	66		162
Spring Calf Prices (\$ Hd.)		\$260.00	\$260.00		\$260.00
# of Fall Calves (Steers)					10
Fall Calf Price (\$ Per Head)					\$328.43
# of Fall Calves (Heifers)					11
Fall Calf Prices (\$ Hd.)					\$287.44
# of Yearling Steers					
Steer Price (\$ Hd.)					
# of Yearling Heifers					
Heifer Price (\$ Hd.)					
# of Cull Cows					23
Cull Cow Price (\$ Hd.)					\$535.87
# of Cull Bulls					5
Cull Bull Prices (\$ Hd.)					\$884.00
<b>Operating Receipts</b>					
Spring Calves (Steers)		\$31,875.00	\$30,600.00		\$62,475.00
Spring Calves (Heifers)		\$26,880.00	\$19,200.00		\$46,080.00
Fall Calves (Steers)					\$3,286.25
Fall Calves (Heifers)					\$3,164.00
Yearling Steers					
Yearling Heifers					
<b>Monthly Totals</b>		\$58,755.00	\$49,800.00		\$108,555.25

steer calves in October for \$318.75 per head. On the worksheet, 100 steer calves is entered in cell M3 for the steers sold in October and then 318.75 is entered in cell M4 for the corresponding price per head.

2) *Operating Receipts*—Operating receipts are receipts generated from the yearly operation of the ranch, such as calf sales. These receipts are calculated from the information provided in the prices and number of head section. No entry of information is needed in this area.

In Example 1, the total amount received (\$31,875.00) for the spring steer calves appears in cell M20.

3) *Capital Receipts*—Capital receipts are generated from the sale of a capital asset, such as breeding livestock, working horses, or equipment. These capital items are usually part of the business for more than one operating year. Capital receipts from the sale of cull cows and bulls are calculated from the prices and number of head area. However, total monthly receipts from

the sale of horses and equipment need to be entered in the shaded sections.

4) *Capital (Cash) Expenditures*—Capital cash expenditures are expenditures on a capital asset such as breeding livestock, working horses, or equipment where no financing is required. Expenditures are recorded in the shaded area for the type and month in which the transaction occurred.

5) *Variable Costs*—Variable costs are those costs that vary with output for the production period under consideration. There are five subcategories contained under the variable cost heading:

Grazing fee costs include fees associated with grazing permits on BLM, USFS, state, and private lands.

Feed costs include hay, supplements, salt, minerals, and ranch feedlot charges.

Livestock management costs include supplies (tack, shoeing), and veterinarian services (medicine, services, supplies).





### Example 4. Total Ranch Flow-of-Funds Summary

ACTUAL CASH FLOW Pg. 1 Prices & Number of Head		Oct.	Nov.	Dec.	Year End Year to Date
<b>Total Ranch Flow-of-funds Summary</b>					<b>Ending Cash</b>
197	Cash Balance-beginning	\$78,978.75	-\$33,037.75	\$9,909.25	<b>-\$8,933.44</b>
198	Cash inflow	755.00	\$48,800.00		\$133,030.25
199	Cash outflow	814.00	\$5,853.00	\$18,842.69	\$148,460.69
200	Cash differences	037.75	\$9,909.25	-\$8,933.44	<b>-\$15,430.44</b>
<b>Nonbusiness Transactions</b>					
<b>Non Ranch Income</b>					
204					
205					
206					
207					
208	<b>Sub Totals</b>				
209	<b>Non Ranch Expenses (Family, invest., etc.)</b>				
210					
211					
212					
213					
214	<b>Sub Totals</b>				
<b>Total Non-Ranch and Ranch Flow-of-funds Summary</b>					<b>Ending Cash</b>
217	Cash Balance-beginning	-\$78,978.75	-\$33,037.75	\$9,909.25	<b>-\$8,933.44</b>
218	Cash inflow	\$58,755.00	\$48,800.00		\$133,030.25
219	Cash outflow	\$12,814.00	\$5,853.00	\$18,842.69	\$148,460.69
220	Cash differences	-\$33,037.75	\$9,909.25	-\$8,933.44	<b>-\$15,430.44</b>

may include earnings from a town job, gifts, dividends, and interest. Expense items include food, clothing, home furnishings, and recreation.

10) *Total Non-Ranch and Ranch Flow-of-Funds Summary*—The differences between all cash inflows and outflows including non-ranch related items are calculated for each month of the production year. This area shows if there is a negative cash balance or positive cash balance (see Example 4).

### CONCLUSIONS

While cash flow analysis is an important tool in managing today's ranches, care should be used when interpreting

cash-flow analysis. Remember that a cash flow only looks at cash transactions when they are either paid or received, not when they are actually incurred (accrual accounting). Therefore, cash flow is only a measure of cash profits. To get at true profits, accrual accounting is needed to account for not only non-cash items, but also changes in inventories, accounts receivable, and accounts payable. It is a well-known fact that a business can be going broke and still generate a positive cash flow for several years. To overcome the cash flow shortcomings, the spreadsheet template contains many other worksheets to account for information not found on the actual and projected cash flow worksheets.

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**FROM:**

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