

## D1

### *Mini Introduction*

In this coursework I will be explaining about how cash flows and financial recording systems can contribute to managing business finances and the advantages and disadvantages of using it. I will show cash flow forecast is useful to JJ Supermarket and will happen if they fail to evaluate the cash flow properly. I will also explain briefly, some of the important ways through which JJ Supermarket records activities.

Cash flow forecast is an important recording system to record the cash flow in the business. Cash flow forecast is used by most of the business as it is very useful, although it does have few disadvantages. Below are the advantages and disadvantages of cash flow forecast.

#### ▲ Advantages

- To JJ Supermarket cash flow forecast is an important way through which it can check the level on which their business is currently performing and how well is it predicted to do in the future. This will help the JJ Supermarket know that their business is successful and it will help them know if their business is going to go in loss or not.
- Cash flow forecast gives the business clearly the time through which business will have trouble surviving like if their out flow exceeds certain limitations. This will help them to take steps which would improve the future of the business.
- It checks if the business is performing consistently or not, any odd figures in the cash flow forecast could be identified by observing and fix it to help business improve.
- Business can predict and put in new investments that can be effectively analysed to get good results.

#### Disadvantages

- The main problem with the cash flow forecast is the figures need to be predicted. JJ Supermarket would have problems if the figures are not predicted sensibly.
- In order to prepare a cash flow forecast it is important to have lots of time consuming research.
- The problem with cash flow forecast is that it is only a prediction. Making decision from this forecast could lead to fatal problems ahead.

Cash flow forecast will help JJ Supermarket decide when to take further steps on their business depending on the results from the observation of cash flow forecast. It helps JJ Supermarket by giving them more time to think about solving future problems. It will allow JJ Supermarket to find out about their business and see if there is opportunity to invest anywhere within the business. With the help of cash flow forecast JJ Supermarket will be able to manage their finances. Finance department will be able to set the limitations for usage of money between the other functional departments. If their forecast states that their out flow is more than their inflow then JJ Supermarket can take actions like reducing certain usage to keep the business in level. Cash flow forecast is vital for any business. If JJ Supermarket fails to analyse the forecast effectively the business could have problems. It is important to observe the forecast and look if the business is making loss or profit, of these things has been unnoticed by JJ Supermarket then it could lead to loss in the business and also bankruptcy.

Below are the some money recording ways which helps build cash flow forecast.

- Petty cash book: This is a book in which staff members record all the money which has been used from the business by the staff members. This could be to buy new pens for business or any other small

amount. This helps cash flow forecast being accurate as even the small amount is added to make the predictions as real as possible.

- Point of sale: point of sales is usually known as the place where the transaction between customer and business takes place, but it is a hardware used to store the transaction. This hardware helps the forecast by showing the businesses main inflow from the sales of stock. It helps record accurately what products have been sold from what price.
- Cash registers: Cash register is an effective way to record all the information about the trading between the customer and the business. It is a very quick way to store information and store money inside it.

To conclude this coursework I have proved that business has to make a cash flow forecast despite of its disadvantages it help business in many ways. I have also show some of the important recording systems used by the business in order to prepare an effective cash flow forecast.