**TRAINING IN FINANCIAL AND BUSINESS MANAGEMENT FOR ROAD CONTRACTORS**

**MODULE TWO SESSION SIX PARTICIPANTS’ NOTES**

**SCENARIO ANALYSIS 3**

Taking no drawings of shs 10m per month.

Implication: reduced drawings.

**Income (12 months):**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Jan | Feb | Mar | Apr | May | June | Jul | Aug | Sept | Oct | Nov | Dec | Total |
| Net profit |  | **75,725** | **75,725** | **75,725** | **75,725** | **75,725** | **75,725** | **75,725** | **75,725** | **75,725** | **75,725** | **75,725** | **75,725** | **908,700** |
| Provision for taxation 30% |  | 22,718 | 22,718 | 22,718 | 22,718 | 22,718 | 22,718 | 22,718 | 22,718 | 22,718 | 22,718 | 22,718 | 22,718 | 272,610 |
| Profit after Taxation |  | **53,008** | **53,008** | **53,008** | **53,008** | **53,008** | **53,008** | **53,008** | **53,008** | **53,008** | **53,008** | **53,008** | **53,008** | **636,090** |

1. Impact on 12 months Income: The Income statement will remain the same as drawings do not affect profits.

**Projected cash flow (12 months):**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Jan** | **Feb** | **Mar** | **Apr** | **May** | **June** | **July** | **Aug** | **Sep** | **Oct** | **Nov** | **Dec** |
| **Net cash** |  | **(1,945,400)** | **(835,400)** | **(835,400)** | **964,600** | **(835,400)** | **964,600** | **(835,400)** | **964,600** | **(835,400)** | **964,600** | **(835,400)** | **964,600** |
| Opening balance |  | (999,000) | (2,944,400) | (3,779,800) | (4,615,200) | (3,650,600) | (4,486,000) | (3,521,400) | (4,356,800) | (3,392,200) | (4,227,600) | (3,263,000) | (4,098,400) |
| **Closing balance** |  | **(2,944,400)** | **(3,779,800)** | **(4,615,200)** | **(3,650,600)** | **(4,486,000)** | **(3,521,400)** | **(4,356,800)** | **(3,392,200)** | **(4,227,600)** | **(3,263,000)** | **(4,098,400)** | **(3,133,800)** |

**Impact on 12 months cash flow:**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Jan** | **Feb** | **Mar** | **Apr** | **May** | **June** | **July** | **Aug** | **Sep** | **Oct** | **Nov** | **Dec** |
| **Net cash** |  | **(1,935,400)** | **(825,400)** | **(825,400)** | **974,600** | **(825,400)** | **974,600** | **(825,400)** | **974,600** | **(825,400)** | **974,600** | **(825,400)** | **974,600** |
| Opening balance |  | (999,000) | (2,934,400) | (3,759,800) | (4,585,200) | (3,610,600) | (4,436,000) | (3,461,400) | (4,286,800) | (3,312,200) | (4,137,600) | (3,163,000) | (3,988,400) |
| **Closing balance** |  | **(2,934,400)** | **(3,759,800)** | **(4,585,200)** | **(3,610,600)** | **(4,436,000)** | **(3,461,400)** | **(4,286,800)** | **(3,312,200)** | **(4,137,600)** | **(3,163,000)** | **(3,988,400)** | **(3,013,800)** |

The net cash deficit by the year end has reduced by shs 120 million. Overall cash needs stand at about shs 4.6billion

**Projected Income (5 years):**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Year | One | Two | Three | Four | Five | Total |
| Total cost | 9,891,300 | 9,852,900 | 9,814,500 | 9,747,900 | 9,730,500 | 49,037,100 |
| Net profit | 908,700 | 947,100 | 985,500 | 1,052,100 | 1,069,500 | 4,962,900 |
| Provision for taxation 30% | 272,610 | 284,130 | 295,650 | 315,630 | 320,850 | 1,488,870 |
| Profit after Taxation | **636,090** | **662,970** | **689,850** | **736,470** | **748,650** | **3,474,030** |

**Impact on 5 years income:**

**No change will take place as drawings are not a trading transaction.**

**Projected cash flow (5years):**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Year | One | Two | Three | Four | Five | Net cash from Ops |
| Net cash | (2,134,800) | 540,990 | 567,870 | 610,950 | 782,370 | 367,380 |
| Opening balance | (999,000) | (3,133,800) | (2,592,810) | (2,024,940) | 1,413,990) | (999,000) |
| Closing balance | (3,133,800) | (2,592,810) | (2,024,940) | (1,413,990) | (631,620) | (631,620) |

**Impact on 5 years cash flow:**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Year | One | Two | Three | Four | Five | Net cash from Ops |
| Net cash | (2,014,800) | 660,990 | 687,870 | 730,950 | 902,370 | 967,380 |
| Opening balance | (999,000) | (3,013,800) | (2,352,810) | (1,664,940) | (933,990) | (999,000) |
| Closing balance | (3,013,800) | (2,352,810) | (1,664,940) | (933,990) | (31,620) | (31,620) |

Net cash generated from the business over the five years has improved by shs 600m million. Cash deficit per year has gone down by shs 120m.