**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.