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

**MODULE TWO SESSION SIX PARTICIPANTS’ NOTES**

**SCENARIO ANALYSIS 4**

Certified work paid after 2 months instead of one.

Implication: The credit period is increased from 30 to 60 days.

**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** |

Impact on 12 months Income:

There will be no impact as this is not a trading transaction.

**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** |  | **(1,945,400)** | **(835,400)** | **(835,400)** | **(835,400)** | **964,600** | **(835,400)** | **964,600** | **(835,400)** | **964,600** | **(835,400)** | | **964,600** | **(835,400)** |
| Opening balance |  | (999,000) | (2,944,400) | (3,779,800) | (4,615,200) | (5,450,600) | (4,486,000) | (5,321,400) | (4,356,800) | (5,192,200) | (4,227,600) | (5,063,000) | | (4,098,400) |
| **Closing balance** |  | **(2,944,400)** | **(3,779,800)** | **(4,615,200)** | **(5,450,600)** | **(4,486,000)** | **(5,321,400)** | **(4,356,800)** | **(5,192,200)** | **(4,227,600)** | **(5,063,000)** | **(4,098,400)** | | **(4,933,800)** |

The net cash deficit by the year end has increased by shs 1.8 billion. Overall cash deficit has also increased from shs 4.6 to about shs 5.5 billion.

**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:**

**Net Income will not change as credit periods do not affect income.**

**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 | (3,934,800) | 540,990 | 567,870 | 610,950 | 782,370 | (1,432,620) |
| Opening balance | (999,000) | (4,933,800) | (4,392,810) | (3,824,940) | (3,213,990) | (999,000) |
| Closing balance | (4,933,800) | (4,392,810) | (3,824,940) | (3,213,990) | (2,431,620) | (2,431,620) |

Net cash generated from the business over the five years has reduced from shs 367.38 million to (1.432) million while cash at the end of the period reduces from shs (631.62) million to shs (2.432) billion. About shs 5 billion are now needed by the business as compared to the earlier shs 3.8 billion.