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

**MODULE TWO SESSION SIX PARTICIPANTS’ NOTES**

**SCENARIO ANALYSIS 6**

Purchasing material and fuel on 30 days credit.

Implication: Instead of paying material of shs 384m and fuel of shs 63m in the month it will be paid in the following one.

**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:

These changes will not impact the income statements.

**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** |  |  **(1,498,400)** |  **(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) |  (2,497,400) |  (3,332,800) |  (4,168,200) |  (3,203,600) |  (4,039,000) |  (3,074,400) |  (3,909,800) |  (2,945,200) |  (3,780,600) |  (2,816,000) |  (3,651,400) |
| **Closing balance** |  |  **(2,497,400)** |  **(3,332,800)** |  **(4,168,200)** |  **(3,203,600)** |  **(4,039,000)** |  **(3,074,400)** |  **(3,909,800)** |  **(2,945,200)** |  **(3,780,600)** |  **(2,816,000)** |  **(3,651,400)** |  **(2,686,800)** |

Overall year end cash deficit will reduce by shs 447 million. Maximum cash shortage has reduced from shs 4.6 billion to shs 4.1 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:**

**There will be no impact on 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  |  (1,687,800) |  540,990  |  567,870  |  610,950  |  782,370  |  814,380  |
| Opening balance |  (999,000) |  (2,686,800) |  (2,145,810) |  (1,577,940) |  (966,990) |  (999,000) |
| Closing balance |  (2,686,800) |  (2,145,810) |  (1,577,940) |  (966,990) |  (184,620) |  (184,620) |

Net cash generated from the business over the five years has improved from shs 367.38 million to shs 814.38 million while the cash deficit at the end of five years has reduced to only of shs 184.62 billion.