Your quick guide to the cash budget

When you are making a cash budget, many factors need to be in place. Take a look at this quick guide to make sure you have it all covered.

Remember that a cash budget shows when receivables and payables are due. In other words, it shows when you have the money in your bank account. Movements in Profit & Loss and Assets & Liabilities affect the liquidity.

Five factors to consider

Credit period

The credit period is the difference between when you expect to enter income/ expenditure in the books, and when you expect to receive the money. For each Profit & Loss account, you can specify a number of credit days – both for income and expense accounts, e.g. 8, 30, 88 or -120.

VAT and interest settings

You can set the VAT period to monthly, quarterly or half-yearly. Make sure you know which accounts are subject to VAT. Enter an interest rate if you want budget123 to calculate the interest income and expense for you.

Bank account(s)

When calculating the cash budget, it is important that all your cash is included in the calculation. Make sure that you have identified your primary cash account and that you have added any other accounts for cash and cash holdings.

Opening Balance Sheet

In order to calculate the cash budget correctly, budget123 must have an opening balance in the budget.

Settlement of new opening balances

In the Opening Balance Sheet, there are a number of holdings (e.g. debtor / creditor holdings and VAT). The opening balances in these accounts must be manually settled in the month(s) when you expect to receive or pay the amount.

Remember, a balance sheet item is a holding and you have to enter the expected movement, i.e. negative if the holding decreases.