KENYA NATIONAL SCHOOL OF COMMUNITY NETWORKS

FINANCIAL OF COMMUNITY NETWORKS

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GLOBAL INNOVATION VALLEY

KNSC Kenya National School of CNs

TNET connecting the unconnected

FINANCIAL PROJECTION

What is this ?

1. Financial forecasting estimates a company's future financial outcomes by examining historical data. Financial forecasting allows management teams to anticipate results based on previous financial data

2. The financial projection shows forecasts and predictions on the financial estimates and numbers that range from revenues and expenses pertaining to financial statements and takes external market factors and internal data into account.

CHARACTERISTICS

- **Used to determine how companies should allocate their budgets for a future period. Unlike budgeting, financial forecasting does not analyze the variance between financial forecasts and actual performance.**
- **Regularly updated, perhaps monthly or quarterly, when there is a change in operations, inventory, and business plan**
- **Can be created for both the short-term and long-term. For example, a company might have quarterly forecasts for revenue. If a customer is lost to the competition, revenue forecasts might need to be updated.**
- **A management team can use financial forecasting and take immediate action based on the forecasted data.**

FINANCIAL PROJECTIONS USED FOR

BUSINESS PLAN: Financial projections and business plans go hand-in-hand. It's a way to show that your company is stable and is financially successful. It's a good practice to provide quarterly or monthly projections for the first year and annual projections for the four years after that. These include projected **income statements**, **balance sheets**, **cash flow statements** and **budgets for capital expenditures**. You should be able to explain projections and match them to funding.

INVESTORS:
Your potential investors want to know if the business will make money and when they can expect a return on their investment.

LOANS AND LINES OF CREDIT:
These are the most common sources of external funding for small businesses. how your funds will be used and when the loan will be paid back.

KNOW YOUR BUSINESS: Financial projections show discipline in financial management – and better financial management leads to a much higher chance of business success. By using a financial model to make financial projections, you can see if, when and whether your business will make a profit. You'll have a better understanding of your cash position to make better decisions about when to hire more people, buy more inventory or make capital investments.

CREATING FINANCIAL PROJECTIONS

1.Create a List of Assumptions
Your financial projections should be tied to a list of assumptions.

2. Create a cash flow projection
3. Create an income statement projection
4. Create a balance sheet projection
5. Create an expense projection
6. Create a sales projection

BENEFITS OF USING ACCOUNTING SOFTWARE FOR YOUR FINANCIAL PROJECTIONS

- **Accuracy:** Unless you're still in the planning stages, having the ability to create various financial reports and transactional histories from your software application helps to ensure your financial projections are based on accurate numbers.

- **Availability of data:** Being able to pull financial reports can go a long way in preparing financial projections. While you'll likely create the projections themselves using a spreadsheet application such as **Microsoft Excel**, the data for your projections is readily available for you and others to access and review

- **Credibility:** Being able to include supporting financial statements created by your accounting software with your financial projections lends credibility to your business and signals that you're serious.

WHAT ARE THE ELEMENTS

Three elements:

1. a balance sheet,
2. cash flow statement, and
3. income statement.

These are considered “pro forma” documents, or documents that are based on projections or presumptions.

The methods of collecting data for your pro forma documents fall into two general categories:

1. **Historical and**
2. **Research-based.**

You will probably use some mixture of both in building your forecast. The more data you collect and analyze, the more accurate your forecast is likely to be.

Thank you