

OPERATING INSTRUCTIONS

CashFlows.xls

The *CashFlows.xls* spreadsheet enables you to calculate the cash inflow and outflow of your practice. The spreadsheet runs under Excel 97 or higher. Most of it is password protected to limit the parts that you can change. The cells which are open to you are:

- yellow cells, which will accept some form of number from you; and
- blue cells, which are essentially labels including the most important expenses that you want to add.

This spreadsheet itself covers two widely differing scenarios:

- the start-up; and
- the buy-in.

If you are looking to start a new practice from scratch, read the introduction and start working through all five phases given in the spreadsheet.

If you are looking to buy into an established practice, it will already have its own cash flow and supporting budgets. Here, your key focus will be on the cash outlay needed to buy into the practice, and the drawings or cash flow that you can expect once you are in it. From that information, you can estimate the payback on your investment. This spreadsheet lets you estimate that figure.

The spreadsheet reflects a number of phases in the review, so it might pay you to work through one or two phases at a time, rather than attempt the whole exercise in one go. The phases are as follows:

- overheads;
- wages and on-costs;
- billing and debtors;
- overall cash flow for the practice; and
- personal impact on your own cash flow.

Click on each tab guide visible at the base of your screen to get access to each section or phase.

Once you are on a particular sheet, enter the data that you are asked for. In some areas we have put some indicative or typical results to start you off. For example, the current superannuation guarantee charge percentage, 9 per cent of salary, is already loaded.

The appearance of each sheet may vary from computer to computer. Perhaps the colours will differ slightly or the amount that you can see on any one screen may be reduced if you are using an older or smaller screen. However, the basic operation will be the same.

Each sheet contains some comments embedded into some cells which explain or give a little more detail about the piece of information that is being sought. You can do one of the following:

- See all comments on-screen at once by using the 'View Comments' function. This icon lets you turn the viewing of all comments either on or off. We recommend that you leave them off most of the time, as they will unnecessarily clutter the screen.
- Instead, we recommend that you read the individual comments by simply placing the cursor somewhere over a cell. The cells with comments are highlighted by having a small red triangle appear in their top right-hand corner.

Once you have entered some figures and fine-tuned them, you can print each page of the spreadsheet. Use the 'Print Preview' function first to make sure that they will fit to a page. Several individual sheets use more than one page when they print out, but they have been set up to let you 'Print Active Sheet' using the standard Excel function.

We recommend that you use a colour printer due to the extensive use of colours in the sheets themselves. Black and white prints have headings which are difficult to read.

Save your work regularly. We recommend that you open the original file, then immediately save it with a different filename. This keeps the original intact, in case you need to start again. Also, think about whether you want to create separate versions of your work. If so, devise a file-naming approach such as 'Plan01.xls', 'Plan02.xls', 'Plan03.xls'.

When you are creating any financial plan, you should work first towards a most likely scenario, using your best estimates of the key factors. Once you have this in a satisfactory form, start testing the sensitivity of your plan by using some different assumptions in the key areas. For example:

- What if my write-downs were doubled?
- What if I reduced my hourly rates by \$5 per hour?
- What if my wage cost was 5 per cent higher for each person?
- What if I underestimated costs by \$2000 per month?

The spreadsheets are able to handle this type of testing and scrutiny. If the most likely scenario looks like it is a sustainable business, and if you have the downside covered, then you should have reasonable confidence in the success of your practice.