

CASE STUDY

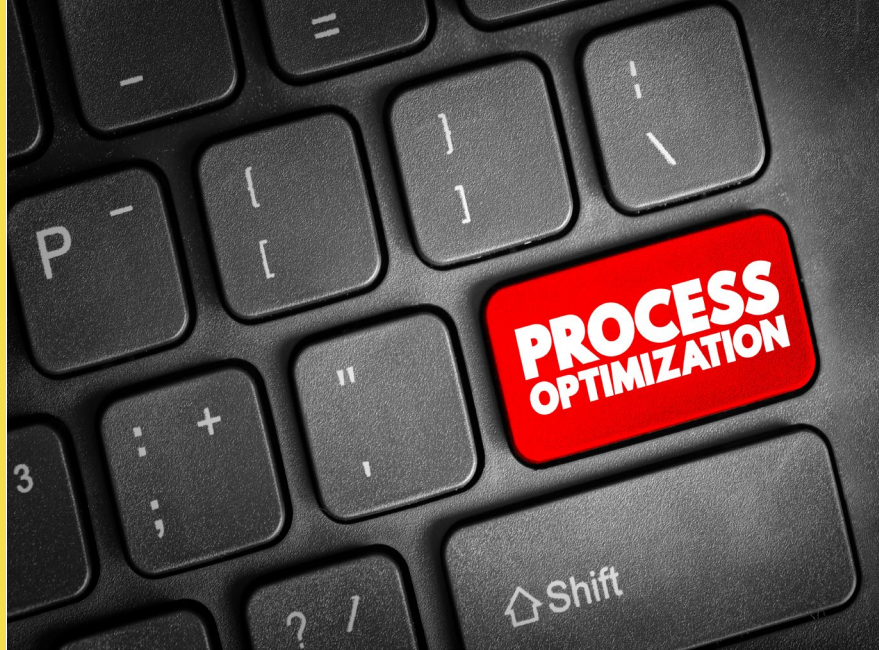
The Challenge

Our client, a private equity-backed manufacturing company, is running 'tight' on cash. The PE firm has asked the CFO to manage cash by preparing a "direct method 13-week cash flow forecast". The company is struggling to do this with the AR/AP data their accounting system. Sometimes, the AR/AP information hasn't been posted in the accounting system so it's taking them 8-12 hours to gather and reconcile the past before they can forecast the future weeks. The time-consuming process leaves the team little time for management review and approval and processing of the current week's payments.

Excel-VBA.Pro developed a practical solution using Excel and VBA

Why use a direct method cash flow?

To better predict recurring cash flow patterns, the direct method cash flow categorizes the inflow and outflows by the cash flow TYPE. This can be different than the EXPENSE category maintained in the accounting system. For example, for forecasting, we need only know that PAYROLL (payment type) is paid every two-weeks. We usually don't need to know how much is for Wages vs Payroll Taxes (accounting categories). Another example could be LOAN payments (payment type). These are generally monthly, and it is not necessary to know how much is for principal vs interest (accounting categories).



DIRECT METHOD CASH FLOW

Using Excel-VBA

Excel-VBA.Pro
Process Improvement

THE SOLUTION

Our approach was to use the company's BANK transactions as the data source for the inflow and outflows of the direct method 13-week cash flow forecast. In Excel, we developed a mapping process that tagged the bank records with the cash flow TYPE. This custom VBA mapping process utilizes Excel's built-in data filtering to read the transaction descriptions/amounts and identify (and tag) the records. **After a couple of cycles, ninety percent (90%) of the cash flow data was auto-tagged with this mapping process.** Where the bank reported batch transactions (for example ACH payments), we deployed a different process to replace the batched data with individual payment records. We also deployed an 'adjustment' for transactions 'in transit' or 'outstanding payments. With all of the records appropriately tagged, we were able to utilize Excel's Pivot-Table functionality to summarize the past cash flow activity. At this point, we used Excel formulas and/or user input to forecast the future cash activity.

THE OUTCOME

Excel-VBA.Pro developed a flexible Excel-VBA model that allowed non-technical users to load and complete the direct method 13-week cash flow forecast in about 3 hours. This company did this work on Monday mornings and had a leadership team review meeting at the start of the day on Tuesday. This left them with plenty of time to make adjustments and set the current week's AP payment run limit.

**PRACTICAL SOLUTIONS TO
COMPLEX BUSINESS PROCESSES**





WE SAVE YOU TIME BY ELIMINATING REPETITIVE MANUAL TASKS AND INPUT ERRORS

FAQ answers:

No project is too small
Average project is 10 hours
Free evaluation/quotes
Bug-free guarantee
Usually start in 3 days

Other areas of expertise:

- Cash Management
- Data Transformation
- Data Mapping
- AR Dunning
- Budget/Forecast Models
- Dashboards

ABOUT

Excel-VBA.Pro is a service offering by L5 Metrics, LLC. Our unique approach is to utilize 20+ years of financial management experience to quickly develop custom Excel-VBA solutions to quickly streamline business processes. We work directly with end users to make life easier.

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