Tips when preparing projections

A few pointers when preparing projections:

- Projections ideally include profit and loss, balance sheet, cashflow, and assumptions. Do not send them out without assumptions. You should use a cashflow projection as a stand-alone document if it's only for short-term forecasts;
- Ensure a comfort letter/release letter is signed before any projections are sent to the client;
- There is a standard list of information you require which you should go through with the client to make the process more efficient (see below);
- Try to obtain as much detail as possible for sales categories (& related cost/margin assumptions). This makes it much easier when flexing the projections to show difference scenarios. Link to cloud accounting;
- Remember wages/payroll is rarely a variable cost in reality;
- Do not attempt to prepare projections for more than 3 years, unless key assumptions are known and changing over a longer period.
- Flex the projections to show different 'what if' scenarios. Decide upon the most likely scenario for the final version.
- Include sensitivity analysis and break even analysis if including in a full written business plan
- Do you really need to use Excel? Other software is much more efficient and less risky to use (Forecast5, Float, Fluidly, Futrli and many others). Trial the various software and apps, find the one which suits you the best and seems most intuitive to you & then become an expert in it.