



WHY YOUR P&L IS LYING TO YOU:

THE TRUTH ABOUT CASH FLOW FORECASTING

A GUIDE FOR BUSINESS OWNERS WHO WANT CLARITY,
CONTROL, AND CONFIDENCE IN THEIR CASH FLOW.

INTRODUCTION:

WHY YOU FEEL BROKE EVEN WHEN YOU'RE PROFITABLE

You're not imagining it. Your Profit & Loss statement says you're doing well, but your bank account tells a different story. What gives?

It all comes down to **cash flow forecasting**—or more likely, the lack of it.

Many growing businesses look profitable on paper but still face tight cash flow, late payroll, and missed opportunities. The issue isn't just revenue—it's understanding where your cash is going, when it's coming in, and how to plan accordingly.

In this guide, you'll learn:

- Why the P&L doesn't tell the whole story
- Common hidden cash drains
- How to build a reliable cash flow forecast
- Steps toward long-term financial clarity

Let's dive in!

SECTION 1:

PROFIT DOESN'T EQUAL CASH

Your Profit & Loss (P&L) statement shows your revenue minus expenses over a period of time. It's useful—but it doesn't reflect your real-time cash position.

Here's why:

- It doesn't include **Accounts Receivable (AR)** that hasn't been collected yet.
- It omits **loan principal payments**, which still drain your cash.
- It doesn't account for **inventory purchases** made before a sale.
- It overlooks **owner draws** and other expenses not shown on your P&L.
- A business can be profitable on its P&L and still run out of cash.

This is why every business needs a **cash flow forecast**—a forward-looking tool that maps out incoming and outgoing cash to keep you financially prepared.

SECTION 2:

FOUR HIDDEN CASH FLOW DRAINS

Watch out for these common issues that quietly drain your cash flow:

1. Accounts Receivable Delays

You recorded revenue, but the money hasn't hit your bank yet. If your clients are on 30-, 60-, or 90-day terms, that's a long wait. Run an AR aging report and follow up on invoices older than 30 days.

2. Loan Payments and Equipment Purchases

The interest portion appears on your P&L, but the principal repayment doesn't. These payments significantly affect your bank balance.

3. Inventory & Material Costs

Buying materials upfront while waiting weeks or months for client payments creates a cash gap that can strain operations.

4. Owner Draws

Taking money out of the business for personal use quietly reduces operating cash, even if your P&L looks healthy.

SECTION 3:

HOW TO BUILD A BASIC CASH FLOW FORECAST

You don't need an accounting degree to build a forecast—just clear visibility.

Step 1: Begin with Your Current Cash Balance

Identify your available cash on hand.

Step 2: List All Cash Inflows

- Client payments (consider payment terms)
- New sales projections
- Loan advances or other expected cash sources

Step 3: List All Cash Outflows

- Payroll
- Rent or mortgage
- Utilities
- Supplier payments
- Loan repayments (principal + interest)
- Owner draws
- Taxes

Step 4: Calculate Net Cash Flow

Cash Inflows – Cash Outflows = Net Cash Flow

Then:

Beginning Cash + Net Cash Flow = Ending Cash

Update this weekly or monthly depending on your needs.

SECTION 4:

QUICK STRATEGIES TO STRENGTHEN YOUR CASH FLOW

Tighten Payment Terms

Offer small incentives for early payment, and be proactive about late invoices.

Negotiate with Suppliers

Extend payment terms so you're not paying before receiving cash from clients.

Monitor Inventory Spending

Only buy what's needed and streamline purchasing cycles.

Set Boundaries for Owner Compensation

Establish consistent draws based on forecasted performance, not guesswork.

BONUS: FREE CASH FLOW FORECAST TEMPLATE

Want a simple way to get started?

Use our free cash flow forecast template—easy to fill in, clear to follow:

COMPANY NAME												
Cash Flow Forecast												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Beginning Cash Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Activities:												
Cash Receipts												
Cash Disbursements												
Other												
Net from Operating:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investing Activities:												
Fixed asset purchases												
Fixed asset sales												
Vehicle purchases												
Net from Investing:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Financing Activities:												
Loan payments												
Equity Distributions												
Net from Financing:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Cash Change	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Cash Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Burn rate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average burn rate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3 month burn reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Schedule a 1:1 consult with The Cash Flow CFO to determine your next steps: www.thecashflowcfo.com/contact <small>© Copyright 2025 Cash Flow CFO All Rights Reserved</small>												

Download Your
FREE Cash Flow
Forecast Template



Or schedule a free 20-minute strategy session, and we'll guide you through it step-by-step.

Book Your Free Call

FINAL THOUGHTS: DON'T LET GROWTH OUTPACE YOUR CASH

Cash flow forecasting isn't just about survival—it's about control. Knowing exactly what's coming in and what's going out lets you make confident decisions, seize new opportunities, and sleep better at night.

If you're ready to take charge of your business's financial future, The Cash Flow CFO is here to help.

Simplified Growth, True Freedom.

The Cash Flow CFO guides you to the financial clarity you need to make confident decisions, achieve sustainable growth, and enjoy the freedom to focus on what matters most.

[Schedule Your Strategy Session](#)

