

# West Lothian Start Smart Programme - Week 4, 'Money Talks'

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# Welcome!

Thank you for joining us for today's 'Money Talks' workshop, where we will be discussing your business finances.

Topics covered will include:

- Introduction
- Cash Flow Forecast
- Pricing
- Profitability



# Cash Flow Forecast

- What is it?
- Why do you need one?
- How to complete one



# Cash Flow Forecast – What Is It?

A cash flow forecast details how the cash will come in and go out of your business:

- What happens if the cash goes out but is slow to come in?
- What happens if the cash comes in faster than it goes out?
- If they are equal – Is that OK?



# Cash Flow Forecast – Why Do You Need One?

- ✓ Funding – Funding providers will ask to see your Cash Flow Forecast for any new business or the accounts including Cash Flow for an existing business
- ✓ Helps to give you an idea of how much you will need to start your business.
- ✓ Keeps a track of income and expenses for your business – A business needs to make more than it spends in order to keep running



# How to Complete a Cash Flow Forecast

## Cash Flow – Start-up Costs:

What do you need to buy for your business before you can start?:

- Equipment – Van – Tools
- Cost of Sales – Materials – Stock – Production Costs
- Insurance
- Rent

How are you going to pay for these?

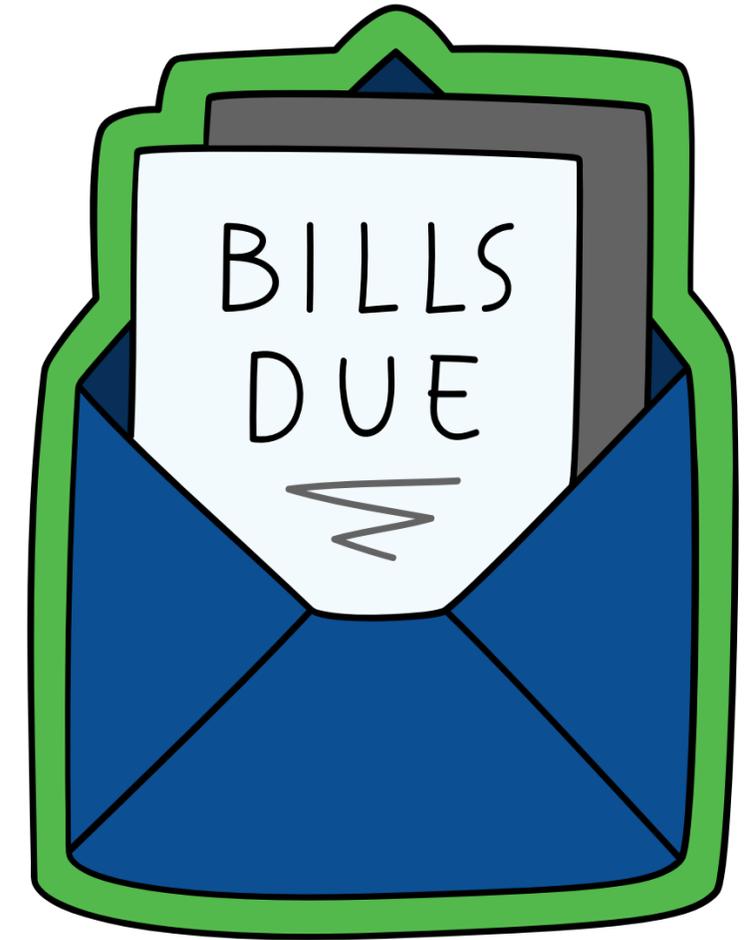




# How to Complete a Cash Flow Forecast

## Ongoing Costs:

- Cost of Sales – Materials – Stock – Production Costs
- Rent
- Utilities
- Telephones



# Pricing

What you charge for your product or service should be more than your costs:

Example:

<b>‘Designer Fashion Retailer’ T-Shirt</b>	
<b>Selling Price</b>	<b>£15.00</b>
Cost of Sales	£4.00
Materials	£4.50
Overheads (Cost of Sales + Materials)	£8.50
<b>Profit (Selling Price – Overheads)</b>	<b>£6.50</b>

However, if you put a designer logo on it, you will probably charge far more!

# Pricing

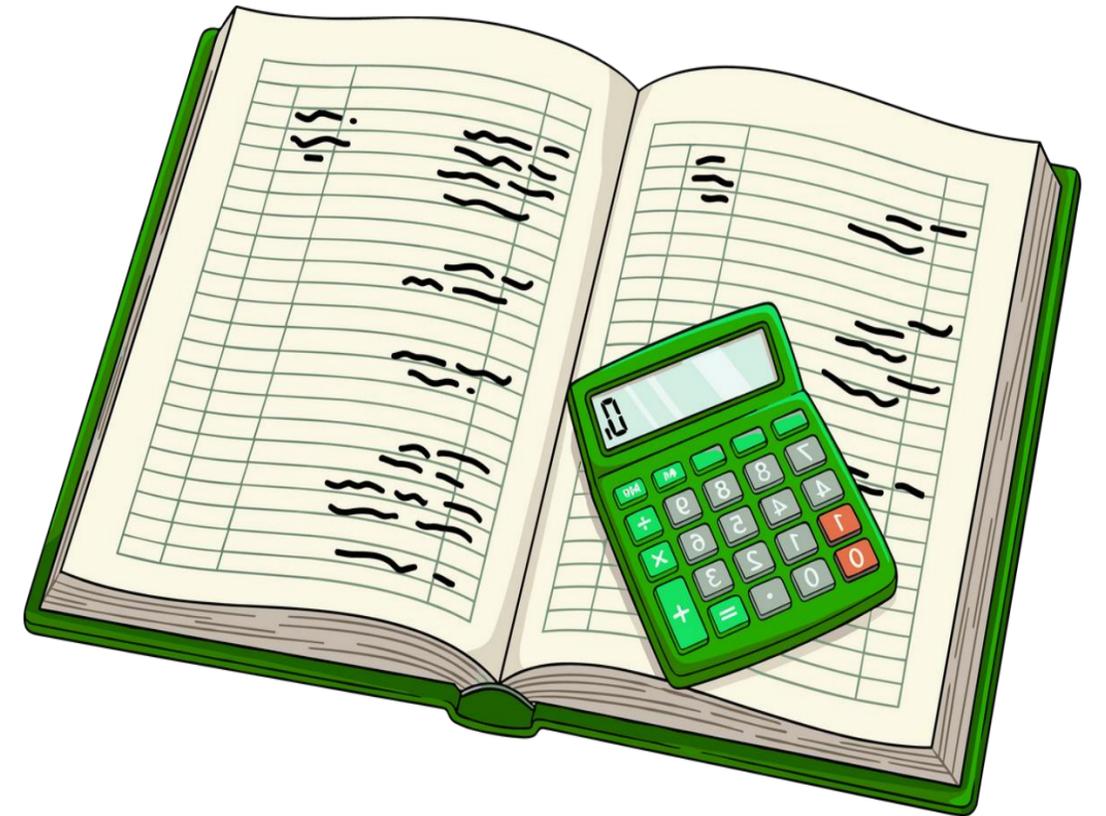
Example 2:

<b>‘Designer Fashion Retailer’ T-Shirt</b>	
<b>Selling Price</b>	<b>£65.00</b>
Cost of Sales	£4.00
Materials	£4.50
Overheads (Cost of Sales + Materials)	£8.50
<b>Profit (Selling Price – Overheads)</b>	<b>£57.50</b>

# Cash Flow Income – Money Your Business Takes In

## How to work out income:

- You need to know how much you will charge for your goods or service
- Estimate how many items or services you will be able to sell in a day
- Decide on how many days you will work or provide your service
- Multiply the day total by the number of days in the week you will work
- Multiply the number of weeks you will work in a month to get the monthly total.





# Cash Flow Income

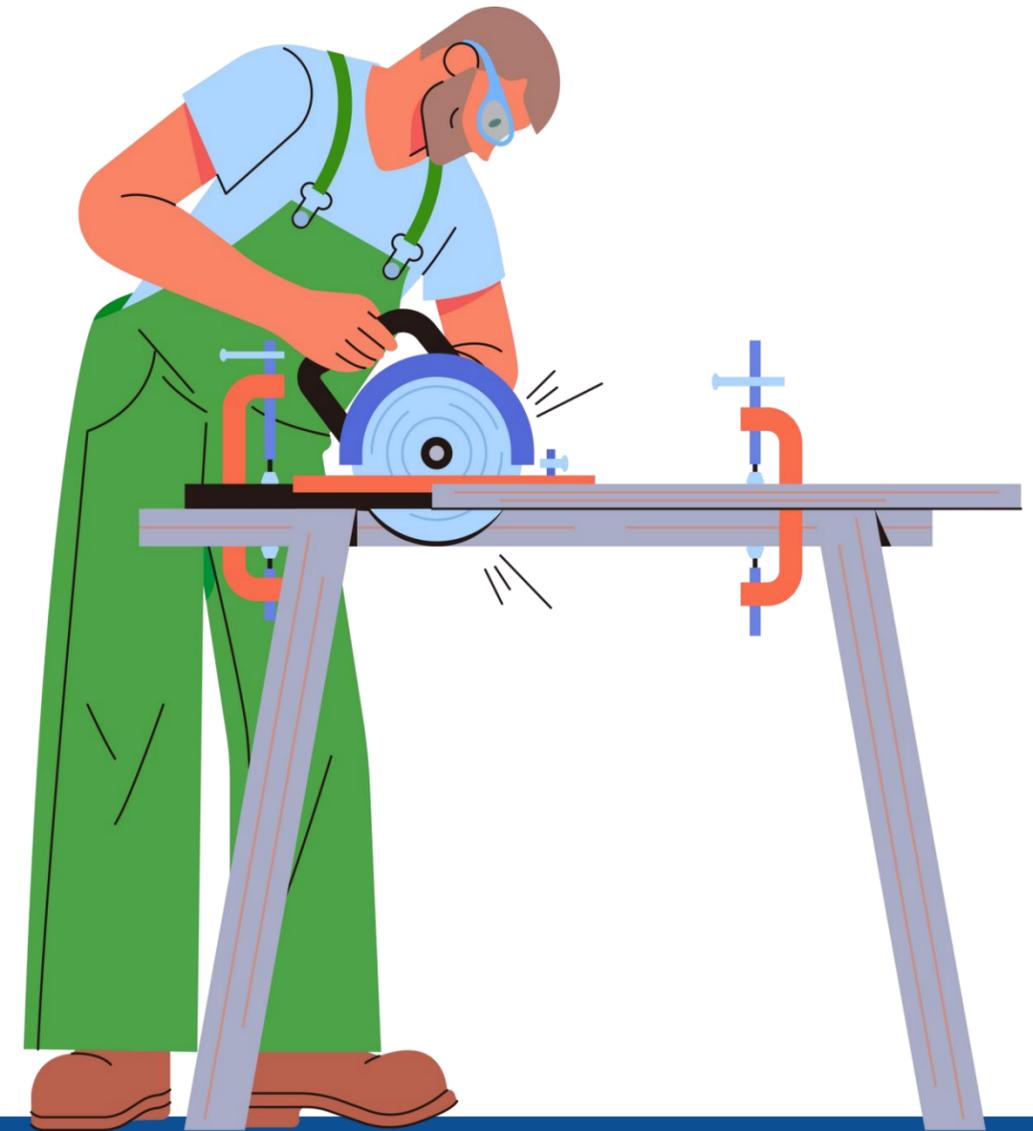
## Income Example 1:

Joe is a joiner and his daily rate is £350. He does a job of work for a customer that takes 4 days.

$4 \text{ days} \times £350 = £1,400$  if he does no more work that month, Joe's income will be £1,400.

Joe does another job taking 5 days the next week.

$5 \text{ days} \times £350 = £1,750$  – Joe's income for the month will now be  $£1,400 + £1,750 = £3,150$ .



# Cash Flow Income

## Income Example 2:

Marzanna makes cupcakes and sells them at a cost of between £20 and £35 for 12 (depending on the decoration).

She has 5 customers in weeks 1 & 2, buying 12 each @ £20 –  $5 \times £20 = £100$ .

10 customers in week 2 & 3 – 5 @ £20 and 5 @ £35 =  $£275 \times 2 = £550$ .

15 customers in week 3 – 5 @ £20 and 10 @ £35 = £450.

Month 1 Total = £1,100.



# Cash Flow Expenses

Expenses are the costs of keeping your business operating. There are many costs that are essential to keeping your business running, such as, materials, telephones, rent etc.

You need to keep a strict eye on costs in order to make sure your business is not running at a loss.

When you bring in more than you spend, you are **making a profit.**

When you make less than you bring in you are **running at a loss.**



# Cash Flow Forecast – Putting the Information into Practice

<b>INCOME</b>	<b>PreStart</b>	<b>Month 1</b>	<b>Month 2</b>	<b>Month 3</b>	<b>Month 4</b>	<b>Month 5</b>	<b>Month 6</b>	<b>Month 7</b>	<b>Month 8</b>	<b>Month 9</b>	<b>Month 10</b>	<b>Month 11</b>	<b>Month 12</b>	<b>TOTAL</b>
Sales Income (Turnover)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Owners Investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Start-up Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WLC Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL INCOME</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>EXPENDITURE</b>														
Materials/Stock (Cost of Sales)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Employment Costs - Direct	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PAYE Costs - Direct	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Employment Costs - Indirect	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PAYE Costs - Indirect	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rates	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heat & Light	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repairs & Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Postage & Stationery	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advertising & Publicity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Telephones	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel & Subsistence	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest - Overdraft	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest - Loans/HP	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repayments - Loans/HP	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repayments - Stat-up	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Personal Drawings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Class 2 NIC	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURE</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>SURPLUS/DEFICIT</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>OPENING BANK BALANCE</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>SURPLUS/DEFICIT FOR MONTH</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>CLOSING BANK BALANCE</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-

# Other Resources – Cobra Factsheets

- Costing & Pricing a Product
- Forecasting Cash Flow
- Forecasting Sales
- Tax Allowable Business Expenses



# Contact Us



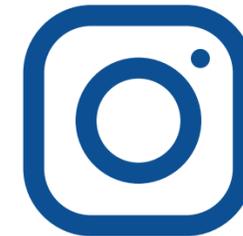
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# Thank You!

