# Lesson Element

# Benefits and Limitations

## ****Think****

The following list includes some benefits and limitations of doing cash flow forecasts. Highlight the benefits in one colour and the limitations in another.

* Needs updating regularly
* Long term cash flow forecasts are likely to be less accurate
* Short term cash flow forecasts are likely to be more accurate
* Helps the business plan for the future
* Based on estimated figures
* Identifies when the business might have too little or too much cash
* Gives targets to motivate employees/managers

## ****Research****

Another limitation of cash flow forecasts is that external factors (those things that the business cannot control) might change. An example of this could be a new competitor entering the market.

Pick a business that is well known (eg McDonalds). Produce a presentation to the Board of Directors outlining the three external factors which are most likely to change in the future and affect the cash flow of that business.

## Have a go

Draw a mind map showing the benefits and limitations of cash flow forecasting to a business of your choice.