

SO...YOU WANT TO OPEN A RESTAURANT

Practical guides to writing a good business plan

CASH FLOW

<https://www.montyaccounting.co.uk/hospitality>

What the eff is a cash flow and why do I need one?

A business plan is more than just a cash flow, but the cash flow is the document that underpins the business plan.

Most importantly, your cash flow tells you whether you have enough money to launch your restaurant and gives you ideas on where you can cut costs.

In this guide we will:

- Introduce cash flows
- Look at the basics of money coming in
- Look at the basis of money going out
- Quickly consider, taxes, loans and other tricky bits.

Quick word of warning - this is the most boring guide in the series - please do chew through it - we've kept it short! I would love not to lead with this one, but it's too important to relegate to the end!

So let's get into it.

This guide is important, this sets out the basics and we will build up from here on each following guide. There is an example spreadsheet for you to download at:

[montyaccounting/hospitality](https://www.montyaccounting.co.uk/hospitality)

All of the following guides have more and more advanced versions of this sheet attached, but they won't make sense if you don't take them one by one.

By the end of the guides, you'll have a great cash flow model and the knowledge to use it effectively.

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Say hello to your cash flow

A cash flow is just a sheet that shows the money that comes into a business and the money that goes out.

That's it. Simple.

(Accountants like to make things complicated, so a cash flow is more than that - it is one of three financial statements that all link together: profit and loss, balance sheet and cash flow.)

We'll stick to the simple view and work on a stand-alone cash flow model. If people really want to work on a model that combines P&L and balance sheet, let me know and we can work up some guides.

So - money in, money out. In its simplest form it looks like this:

	Week 0	Week 1	Week 2	Week 3
Money in	0	6,000	7,000	7,500
Money out	(2,000)	(9,000)	(5,500)	(8,500)
Movement	(2,000)	(3,000)	1,500	(1,000)
Opening bal	4,000	2,000	(1,000)	500
Closing bal	2,000	(1,000)	500	(500)



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The top section is showing how much money is expected to come in and out of the business each week, with the bottom section showing the expected bank balance.

But in its current format, it's pretty useless - it really doesn't tell you anything - so we need to flesh it out a little.

Money in

This is the easiest bit for restaurants.

'Money in' will be your day to day sales, plus any sources of finance you may have (such as loans, equity etc). Your 'money in' section will look a bit like this:

5		Week -6	Week -5
6			
7	Money in		
8	Shop sales	0	0
9	Delivery sales	0	0
10	Funding	100,000	0
11			
12	Money in Total	100,000	0
13			
14			

We'll be covering how to calculate sales in another guide and funding is also covered in another guide.

But for now, that's all we really need to know for 'Money in'. Dead easy.



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Money out

So we can work out pretty easily the kind of things you are going to be spending money on:

- Getting your site and fitting it out - we'll call these **opening costs**.
- You'll need to pay the bills to keep the door open - these are your **overheads**.
- Employees generally like to get paid - so these are your **staff costs**.
- And you need to feed your customers - let's call this **food & drink cost**.

	Week -6	Week -5	Week -4	Week -3	Week -2	Week -1	Week 0
5							
6							
15	Money out						
16		(30,000)	(30,000)	(20,000)	(5,000)	(5,000)	
17							
18		(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
19							
20							(2,000)
21							
22					(200)	(300)	(1,000)

Working out what numbers we need to stick in these lines for you to have a useful cash flow takes some doing, so each of these lines has a guide to go with them.



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Taxes

Taxes are inevitable, and as a restaurant you will be paying something regularly - notably PAYE and VAT. So we need to add these lines to the Money out section

	Week -6	Week -5	Week -4
Money out			
Opening costs		(30,000)	(30,000)
Overheads		(1,000)	(1,000)
Food & drink costs			
Staff costs			
PAYE / NIC / Pension			
VAT			

PAYE / NIC / Pensions - as an employer you will be deducting amounts from employees pay each week to pay over to HMRC. Payments are made each month, due on the 22nd. On the example spreadsheets, estimated PAYE/NIC/Pension will be calculated automatically.

VAT - this is normally paid quarterly and is a big figure for a hospitality business. You will be charging VAT on most (if not all) you sell. However you will be paying very little on VAT on goods you buy (except during fit out) as the biggest overheads you have are employees (not in the scope of VAT) and food (zero VAT). Again, our sheet will calculate an estimated VAT figure you will be paying.



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And that's it for all the lines you need on your cash flow.

You'll notice that we have weekly columns on the spreadsheet. If you are presenting this to a landlord it's best to summarise it down to monthly, but believe me, you NEED weekly. It's great saying you will have money at the end of the month, but if you run out of money in week 1 of the month, you'll never get there.

Cash flow basics all done - money in, money out. That's it.

Next guide is all about finding money to open your restaurant (spoiler alert: you need to start saving).

Keep up to date

Our next guide will be posted on linkedIn in a few days so make sure you follow me or send me a connection request to keep up to date.

Can't wait a few days? Head over to our website, find our blogs and the next guide will be there

And if you know someone this will help - let them know!

Questions?

If you have any questions, stick it in the comments, DM Tim or head to our website to book in a call

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