



CASH FORECASTING

Cash forecasting has become one of the primary tools for treasurers in managing working capital and liquidity. This month's Spotlight highlights what companies are doing to improve the accuracy, timing and usefulness of their forecasts.

Mike Gallanis of Treasury Strategies outlines the importance of effective cash forecasting, which, he says, "can be one of the most daunting and arduous responsibilities that today's financial managers face". He goes on to examine the key areas of failure and the critical success factors – the most critical of all being the first step, ie effective data collection.

Next up are the views of those at the sharp end of cash forecasting and liquidity management, the treasurers. **Denise Bedell** spoke with treasurers from companies with differing approaches to forecasting, Jardine Matheson, British American Tobacco and RTL Group in Luxembourg, to identify what they perceive as the main obstacles to cash forecasting and how they overcome those challenges. **Simon Mawson** of Jardines takes a pragmatic view of their cash forecasting, with a simple approach, notwithstanding the size of the company.

Alistair Newson at BAT identifies "accuracy, consolidation, completeness and timeliness" as the biggest issues in their centralised treasury; **Francois Masquelier** of RTL adds "discipline from subsidiaries" to the list in their centralised, regional approach.

The attitude of the CFO is absolutely vital to the cash forecasting process, and **Ken Lillie** of SunGard examines the rationale behind the CFO's approach – it's not just to avoid accounting 'black holes' – and how his or her objectives can be met by the treasury team and other financial managers in the process.

Finally, **Jim Sarni** of Payden & Rygel examines how an improved knowledge and understanding of cash requirements through modelling and forecasting, combined with an improved, diversified short-term investment strategy, can help treasurers improve yield and add value.

As is often the case, one size does not always fit all. Each of the featured companies has developed a unique approach to forecasting. The one common thread, however, is that forecasting has become a very important treasury function and has the potential to positively impact a company's bottom line.