

Financial Forecasting need to knows



What is Financial Forecasting?

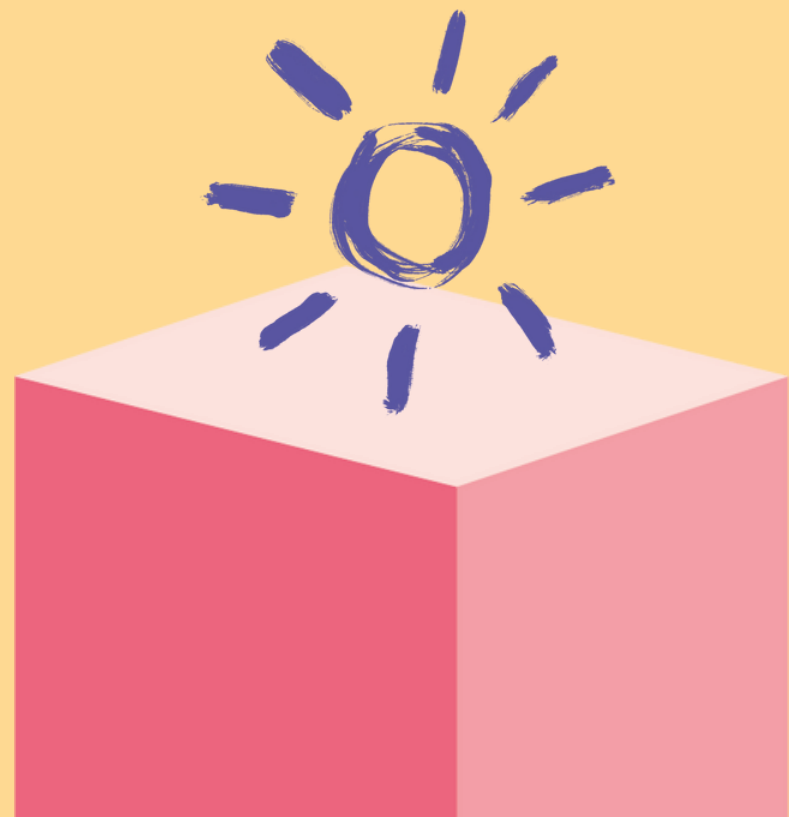
“Forecasting refers to the practice of predicting what will happen in the future by taking into consideration events in the past and present.”

In other words, it is a decision-making tool that can help businesses cope with the impact of the future’s uncertainty by looking at historical data and trends. It assists with planning next moves and create budgets.



Types of Forecasts

There are various different types of forecasts and will depend on the requirements of the business. They can range from relatively straightforward short-term cashflow forecasts to complex long-term models projecting the profit and loss, balance sheet and cashflows.



Features of Forecasting

Some of the features of preparing a forecast include:

- Involves future events
- Based on past and present events
- Uses forecasting techniques



Advantages of Forecasting

Forecasting is an important tool for any type of business, some of the advantages include:

- Assists with management decision-making.
- Provides a benchmark against which to measure future performance.
- Identifies financial requirements, including potential risks and cash shortfalls to keep your business out of financial trouble.
- Assists your business to secure a bank loan or other funding as lenders and investors require financial forecasts.

