

Top 10 Cash Forecasting Best Practices to Improve Accuracy

Accurate, effective cash forecasting ensures your company has enough cash on-hand to accomplish its strategic objectives in the near future. By avoiding common pitfalls, your organization can improve forecast accuracy and be prepared for any unexpected scenarios that arise.

01 Avoid These Common Pitfalls

1. Utilizing Outdated Tech Platforms

Don't be afraid to change up how you forecast. Spreadsheets ensure that you have to manually aggregate data before any meaningful analysis can occur. Innovation in open banking APIs and machine learning has empowered treasurers to automate tedious workflows and prioritize strategic analysis.

2. Garbage In, Garbage Out

Manual data aggregation increases the risk for human error, which can lead to inaccurate data. By automating bank data aggregation with APIs, you can ensure your organization has access to not only quality bank transaction data, but also metadata, including closing valuable, current available, and open ledger. These details go a long way in helping your organization make informed decisions.

3. Overwrite Your Forecast Baseline

If you manage your forecast in one spreadsheet and regularly overwrite your baseline with your actuals, you won't have the information needed to analyze your forecast's accuracy. Making a copy of your forecast baseline and keeping it in a safe place enables your treasury to perform variance analysis to gauge accuracy over time.

4. Prioritizing Perfection Over Analysis

While it is critical to ensure your organization has confidence in your data, trying to create a perfect forecast is not sustainable. Focus on prioritizing a mix of accuracy, analysis, and efficiency in order to create a forecast that is within your organization's risk tolerance.

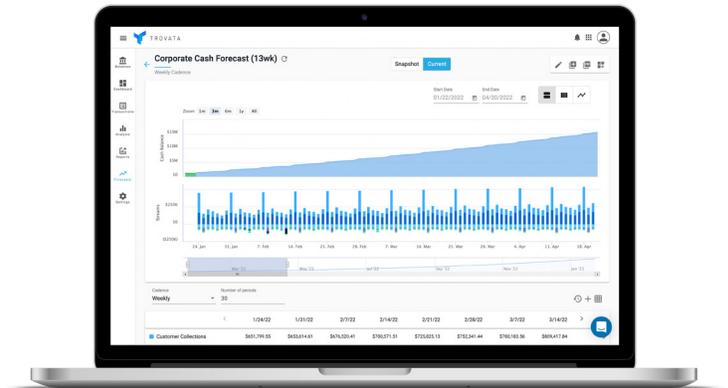
5. Overanalyzing Every Result

It can be tempting to dig into every nook and cranny into your data, but it can also cause data paralysis. Instead, look for overall trends within your bank data in order to ensure your organization has the cash on hand to accomplish its strategic objectives.

02 Incorporate These Best Practices

1. Automate Your Starting Point With Open Banking APIs

What often prevents treasurers from performing more meaningful analysis is time-consuming, manual data management. Trovata's open banking APIs establish rails that bring in your historical bank data into your platform instance. Machine learning and artificial intelligence then automate the generation of your forecast baseline, amplifying your ability to perform meaningful analysis.



2. Augment Historical Data With Known Events From Key Stakeholders

Your organization's historical bank data doesn't tell your entire cash story. By incorporating your key stakeholders and leadership within the forecasting process, you can begin to incorporate one-off events and improve collaboration between departments to increase forecast accuracy and make more accurate, data-backed decisions as a team.

3. Maintain a Forecast Baseline to Perform Accurate Variance Analysis

Automated cash management platforms, like Trovata, automatically save and maintain your baseline forecast. And with automated variance analysis tools built-in, you can determine your forecasts' accuracy at any point of your forecasted time period, making it easier to identify trends and make more informed, strategic decisions.

4. Focus on Discovering Overall Trends Within Your Data

An effective forecast enables your team to make more informed decisions and adjust your cash strategy accordingly. By focusing on discovering overall trends in your bank data, you can discover threats and growth opportunities that could have a dramatic impact on cash ahead of time.

5. Regularly Review Your Assumptions to Optimize Your Forecast

The market is always changing, which in turn can facilitate the need for strategy changes. There are always one-off events that could occur throughout the quarter that can cause large fluctuations in cash outflows. Regularly communicate with key stakeholders to understand when these unforeseen events could occur, so you can build your forecast to be more agile.

03 Transform Your Forecast Into Actionable Steps

Producing, optimizing, and managing a cash forecast is a great, initial step, but it is critical to turn your insights into actionable objectives, so you can make more accurate, data-backed decisions when the time comes to adjust your cash management strategy.

1. Compare Your Treasury's Direct Forecast With Your Organization's Indirect Forecast

While analyzing your direct and indirect cash forecasts, there should be similarities in terms of the general direction of your cash flow. Accurate direct and indirect cash forecasts, while impossible to reconcile, should share similar trends and have cash values in a relative range of high and low dollar values. If not, it presents a great opportunity to dig deeper and discover any inconsistencies within both forecasts.

2. Perform Scenario Analysis Utilizing Operational and Sales Metrics

Trovata's scenario planning capabilities give you the ability to see how certain changes in the business, such as increases or decreases in sales or expenses, have an impact on cash. This way, you can analyze how one-off events, like an acquisition or a share purchasing program, for example, could have a direct effect on cash. You can make adjustments to your cash management strategy based on these insights to ensure it aligns with your organization's strategic objectives.

3. Transform Your Treasury Into a Strategic Cash Advisory

Trovata helps you gain a deeper understanding of your cash flow by enabling you to forecast many quarters out with great accuracy. You can transform your treasury into a cash advisory, empowering your senior management to understand your organization's quarter-close cash ahead of time, so they can better plan for one-off events and optimize debt and investment decisions.

Break Free from Manual Forecasting with Automated Cash Management

Eliminate tedious, manual workflows and gain greater visibility into your cash reports and forecasts. Speak to Trovata today!

[Get Demo](#)

