



Freddy's Fantastic Festivals

Freddy Forsyth organises 2 music festivals a year; one at the end of April, and the other on the August Bank holiday weekend. They are very popular, but he struggles to manage his cash flow. He currently has £5000 in his account and has been told that he should create a cash flow forecast for the next 9 months.

Complete the attached cash flow forecast using the information below:

- 1) In April all 2000 tickets will go on sale for £25 each. Freddy expects the festival to sell out quickly.
- 2) In February he has to pay in advance for rental of the marquees (£9000).
- 3) In March he has to pay a deposit to the security team in order for them to turn up to the festival (£12500)
- 4) In March he also has to pay the brewery to buy the drinks for him to sell at the festival (£20000)
- 5) Just before the festival in April the food van owners will pay Freddy for their pitches (£5000)
- 6) In April the 1st festival will happen. Freddy estimates total bar sales will be £45000.
- 7) 1 week after the festival (in May) he will have to pay the bands and the wages to bar staff (£20000)
- 8) Freddy's insurance premium (paid annually) will be due in June (£8000)
- 9) In May Freddy will have to pay in full for rental of marquees for the 2nd festival (£9000)
- 10) Tickets go on sale in August, normally all 2000 are sold for £25 each
- 11) In July he will have to pay to reserve the security team (£12500)
- 12) The 2nd festival usually sells more drink so in July Freddy orders £25000 of stock from the Brewery
- 13) In August people selling food at the festival will pay him their pitch fees (£5000)
- 14) Freddy predicts his bar takings will be £55000 in August
- 15) Straight after the 2nd festival (August) Freddy will pay the bands and staff wages totalling £20000

Extension Tasks:

- 1) *List 3 options Freddy could take to improve his cash flow position*
- 2) *Choose one of these options and assess the benefits/risks of him doing it. (6 marks)*
- 3) *Which sources of finance do you think Freddy may be able to use? Choose 2 and explain why each one may be relevant to his business.*