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WORKSHEET 4 OF 9

Emergency Runway Calculation — Major Receivable Default

Use when a customer representing more than 10% of monthly revenue informs you of non-payment, significant delay, or insolvency. Calculate how long the business can operate before a cash crisis, and what actions are available.

Complementary worksheet for
Cash Flow Management Essentials
by Ibrahim Anwar

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SECTION 1

What This Is For

When a customer representing a meaningful share of revenue announces they cannot pay — or stops responding — the operator's first instinct is usually to pursue the customer. That instinct is wrong. The first task is to calculate the actual runway: how many weeks can the business continue operating on what remains, and what can be adjusted to extend that window before the bank conversation becomes unavoidable.

This worksheet makes that calculation in one sitting. It takes the current account balance, the defaulted amount, other receivables that remain, and the full cost structure — then separates what can be reduced from what cannot. The output is a clear runway number and a priority action sequence, in that order. Operators who do this worksheet first negotiate from a position of known runway. Operators who pursue the customer first often find the bank conversation has already become urgent by the time they return to their own numbers.

SECTION 2

Benefits

What you get when you actually run this worksheet on a real situation:

- Produces a specific weeks-of-runway figure rather than a vague sense that the situation is 'manageable' or 'serious.'
- Separates non-negotiable outflows from reducible ones — which defines the real floor for survival expenditure.
- Shows whether the unused credit facility changes the calculus enough to alter the priority action sequence.
- Provides the factual basis for a proactive bank conversation from a position of strength — before the bank sees the problem in account data.
- Prevents the most common emergency mistake: chasing the defaulting customer while ignoring the outflows that can be reduced in the next two weeks.

SECTION 3

Framework To Use

— Runway Calculation Stack

Build the runway from the bottom up: lock the floor first, then count the weeks.

NON-NEGOTIABLE FLOOR	REDUCIBLE OUTFLOWS	AVAILABLE SOURCES
Payroll, bank installments, statutory obligations. Cannot be deferred. Calculate this total first — it is the denominator for weeks of runway.	Variable costs reducible within 2 weeks, and within 30 days. Calculate both windows. Every dollar removed here extends runway.	Current balance, other confirmed receivables, unused credit facility. Sum these to find total resources. Divide by adjusted monthly floor.

SECTION 4

How To Use

Follow these steps in order. Each one builds on the previous.

1. Record the current business account balance in row one. This is the starting resource, not adjusted for anything.
2. Enter the defaulted receivable amount in row two. This is no longer a resource — remove it from any forward expectation.
3. List all other receivables due within the next 30 days that are confirmed — confirmed means the customer has acknowledged the payment schedule this week. Enter the total in row three.
4. Calculate fixed monthly outflows: payroll, rent, bank installments, statutory obligations. These cannot be reduced within 30 days without significant consequences. Enter the monthly total in row four.
5. Estimate variable outflows reducible within 2 weeks — stock purchases that can be paused, discretionary services, non-essential subscriptions. Enter in row five.
6. Estimate variable outflows reducible within 30 days — contracts requiring notice, overhead that requires a few weeks to wind down. Enter in row six.
7. Calculate adjusted monthly outflow: row four minus rows five and six (if reductions are implemented). Enter in row seven.
8. Calculate weeks of runway: (row one plus row three) divided by (row seven divided by 4.3). Enter in row eight.
9. Enter unused credit facility available in row nine. Add the credit-funded weeks to row eight to calculate total effective runway in row ten.
10. Read the total runway figure. Under 6 weeks: call the bank before calling the customer. 6–12 weeks: implement variable outflow reductions this week, then pursue the customer. Over 12 weeks: implement reductions at standard pace, pursue customer through normal escalation channels.

SECTION 5

Example Use

A wholesale building materials distributor receives a call on a Tuesday morning from a mid-size contractor who owes $38,000, due in four days. The contractor's finance manager says they are in administration proceedings and payment will be delayed at least 60 days, possibly permanently. The distributor's monthly revenue averages $160,000. The $38,000 represents 24% of a single month's revenue.

The owner sits down with the worksheet that afternoon. Row one: current account balance $29,400. Row two: the defaulted $38,000 is removed from all forward expectations. Row three: other confirmed receivables due within 30 days — $44,000 from three other contractors, all confirmed by email or phone this week.

Row four: fixed monthly outflows. Payroll $18,500, rent $4,200, bank installment $2,800, statutory contributions $1,600. Fixed floor: $27,100 per month. Row five: variable outflows reducible within 2 weeks — a $6,000 stock order scheduled for Friday (can be postponed two weeks without affecting current deliveries). Row six: variable outflows reducible within 30 days — $3,200 in discretionary services.

Adjusted monthly outflow: $27,100 minus $9,200 = $17,900. Row seven.

Total available resources: $29,400 (current balance) plus $44,000 (confirmed receivables) = $73,400. Weeks of runway at adjusted outflow: $73,400 divided by ($17,900 / 4.3) = $73,400 / $4,163 = 17.6 weeks.

Row nine: unused credit line $30,000. Total effective runway including credit: $103,400 / $4,163 = 24.8 weeks.

The runway figure changes the entire frame. This is not a six-week emergency — it is a 24-week window with a 25% buffer. The owner postpones Friday's stock order, contacts the bank on Thursday (proactively, from a confirmed 24-week runway position), and opens recovery proceedings with the defaulting contractor the following week from a position of confirmed financial stability rather than concealed distress.

SECTION 6

The Worksheet

Tear this out, copy it onto a fresh sheet, or fill it in directly.

Emergency Runway Calculation — Major Receivable Default

Use when a customer representing more than 10% of monthly revenue informs you of non-payment, significant delay, or insolvency. Calculate how long the business can operate before a cash crisis, and what actions are available.

ITEM	AMOUNT ($)	NOTES
Current account balance		
Defaulted receivable amount (removed from forward expectations)		
Other receivables due within 30 days (confirmed)		
Fixed monthly outflows (payroll, rent, installments, statutory)		
Variable outflows — reducible within 2 weeks		
Variable outflows — reducible within 30 days		
Adjusted monthly outflow (row 4 minus rows 5 and 6)		
Weeks of runway at adjusted outflow rate		
Credit facility available — unused line ($)		
Total effective runway including credit (weeks)		

Reflection Prompts

After filling in the worksheet on the previous page, work through these.

1. Runway without the defaulted receivable and without credit: how many weeks? If the answer is under 6 weeks, the next call is to the bank — not to the customer. At 6 weeks of confirmed runway, you can negotiate with the defaulting customer from a documented position of stability, not from imminent crisis.

2. Which outflows are non-negotiable in the next 30 days? Ring-fence those before making any other decision. Every reducible outflow you identify in the next two weeks extends the runway and reduces the urgency of every subsequent decision.

SECTION 7

Tips and Traps

TIPS

- Complete this worksheet before making a single call — to the customer, the bank, or anyone else. The runway number changes what you say in every conversation.
- When counting confirmed receivables in row three, call each customer before writing the amount. 'Confirmed' means confirmed this week by the customer — not assumed from the invoice terms.
- Implement reducible outflows immediately, not after a decision is made about the defaulting customer. If you postpone Friday's stock order now, you buy a week regardless of how the recovery goes.
- Use the runway figure explicitly when calling the bank: 'We have a customer who has entered administration owing $38,000. Our runway including the credit line is 24 weeks. We are calling proactively and do not need the line today — we want to discuss options.' That conversation is fundamentally different from one made at 4 weeks of runway.
- Recalculate the worksheet every two weeks during the recovery period. Runway changes as confirmed receivables either arrive or are reclassified, and each recalculation is a fresh decision point.

TRAPS

- Including the defaulted receivable in row three as 'possibly recoverable.' Remove it entirely from resources until a signed payment agreement or partial payment arrives. Optimism about defaulted receivables extends on paper only.
- Treating the credit line as the first resource rather than the last. Credit lines become harder to renew exactly when they have been drawn. Use internal resources first.
- Reducing too many outflows at once — reducing all vendor payments simultaneously damages multiple vendor relationships at the same time. Identify the two or three largest reducible outflows and address those first.
- Waiting for 30 days of evidence before calling the bank. Banks respond far better to a proactive call from a client with 20 weeks of runway than to a reactive call from a client with 3 weeks remaining.
- Confusing 'runway' with 'recovery timeline.' Runway is how long the business can operate. Recovery from the default may take longer. Manage both timelines separately.

SECTION 8

Appendixes

Appendix A — Runway Calculation Formula

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Total available resources (A):
  Current account balance          : $ __________
  Confirmed receivables, 30 days   : $ __________
  Unused credit facility           : $ __________
  Total (A)                        : $ __________

Adjusted monthly burn rate (B):
  Fixed monthly outflows           : $ __________
  Less: reductions within 2 weeks  : $ __________
  Less: reductions within 30 days  : $ __________
  Adjusted monthly outflow (B)     : $ __________

Weeks of runway:
  (A) ÷ (B ÷ 4.3)                 = __________ weeks

Decision gates:
  Under 6 weeks  → bank call first, today
  6 to 12 weeks  → implement reductions this week, then pursue customer
  Over 12 weeks  → standard pace reduction + customer escalation
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Appendix B — Proactive Bank Call Script

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Opening: "I'm calling proactively. One of our customers, representing
approximately [X]% of our monthly revenue, has entered administration
and owes us $[amount]. I've done the runway calculation: at our
adjusted burn rate, we have [N] weeks of confirmed runway without
drawing on our credit facility."

Context: "We have [$X] in other confirmed receivables due within 30 days,
and we have already postponed $[Y] in discretionary expenditure this week."

Request: "We are not drawing on the line today. We want to understand
whether the facility can be extended or restructured given this situation,
and what documentation you would need from us."

What to have ready: current account statements (last 3 months),
confirmed receivables list, adjusted outflow calculation.
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WHERE THIS WORKSHEET COMES FROM

Cash Flow Management Essentials

Why Profitable Businesses Still Run Out of Money

by Ibrahim Anwar

This worksheet is one of nine in the *Cash Flow Management Essentials* companion worksheet pack. The full pack is grouped into three categories: high-volume worksheets you can run weekly, niche-search worksheets for rare but high-value situations, and specific-case worksheets that walk you through a single concrete scenario.

Every framework, decision filter, and figure used in these worksheets is drawn from the chapters of the source book. The book sets the diagnosis, the worksheets give you the form to act on it.

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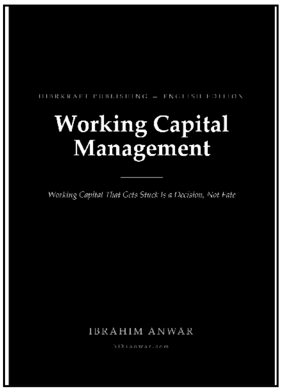

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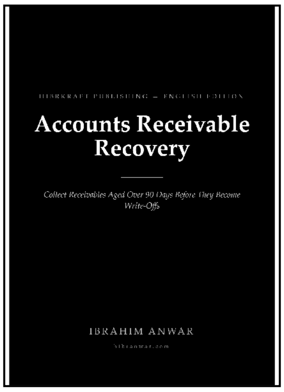

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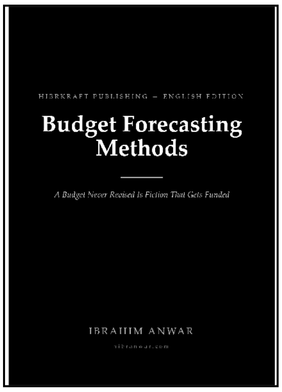

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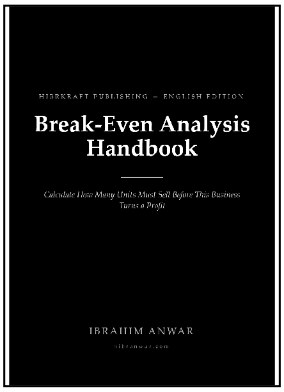

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