

BURN RATE CALCULATOR

The burn rate calculator will work out the date when your business will run out of cash – its cash zero date. You'll then know how long your business will be able to keep going until it needs more funding.

Reserves, costs and sales

The template will automatically input today's date. Fill in the three boxes below the date. Start by entering the dollar amount of your cash and capital reserves, followed by your total monthly costs. Lastly, enter your average monthly sales figure (include all funds you expect to deposit into your bank account).

Your cash zero date will automatically be generated by the template. As an example, say you own a small convenience store with cash and capital reserves of \$1000, total monthly costs of \$600, and average monthly sales of \$500.

This would give your business ten months (relative to today's date) before you hit cash zero. In other words, you could pay your costs for ten months with your available reserves and monthly sales. After that time, you'd need extra funding.

To improve your situation, you'd have to either reduce your monthly expenses or increase your average monthly sales.

Usefulness

Using the burn rate calculator will allow you to be aware of your business's cash situation early. If you need to, you can then plan to make changes to your business model.

You'll also have a clearer idea about whether you can afford to expand, hire another staff member or introduce a new product line.

Make your burn rate calculation below

Enter your cash and capital reserves

Enter your expected monthly sales & other income

Enter your total monthly costs

This calculator includes functionality that requires Adobe Acrobat Reader or equivalent. Acrobat reader is free software that can be [downloaded here](#).

BURN RATE CALCULATOR

Your Burn Rate Calculator helps you work out the date when your business will likely run out of cash – otherwise known as its cash-zero date. This is critical information that lets you know how long your business can feasibly continue until it requires more funding.

1. Enter your cash and capital reserves

The burn rate calculator will provide early awareness of your business's cash situation. You can then plan to make changes to your business model if necessary.

You'll also have a clearer idea about whether you can afford to:

- › Expand
- › Hire another staff member
- › Introduce a new product line

Enter your cash and capital reserves figure. This is the money (or safety net) you've set aside to ensure your business has adequate funding during lean times.

2. Enter your total monthly costs

Input your business's total monthly costs.

These costs might consist of:

- › Rent – at \$6,000 per month
- › Electricity – costing \$800 each month
- › Wages – at \$2,500 a month for one employee

In this instance, your total monthly costs would come to \$9,300, so you would enter this figure in your Burn Rate Calculator.

3. Enter your average monthly sales

Enter your business's average monthly sales – and be sure to include all the funds you expect to deposit into your business bank account.

For example, if you owned a bicycle store, your average monthly sales could be made up of:

- › Bike sales – \$30,000 per month
- › Accessories – \$6,000 on average each month
- › Bike repairs and maintenance – \$4,000 a month

In this instance, your average monthly sales would total \$40,000, so you would enter this figure.

After you enter these three figures, you'll be given a cash-zero date. You'll be able to pay your costs until that date at your current levels of sales and expenses.

After this date, you'll need additional funding.

4. Evaluate your cash-zero date

Look at your cash-zero date and, now that you know your business's starting point for negative cash flow, you have time to create an action plan to avoid it.

Your cash-zero date varies according to your sales and expenses, which is why it's important to continually check your cash flow. The sooner you're aware of it, the more time you'll have to plan and act.