This guide goes beyond the basics of forecasting covered in our blog article and focuses on scenario planning: knowing your real runway, building best-case and worst-case views side by side, and understanding your financing options before you need them urgently.

Chapter 1: The Three Numbers Every Founder Should Know Weekly

Regardless of business size, three figures matter more than any others for short-term survival: cash on hand today, your average weekly or monthly burn rate (net cash outflow), and your resulting runway, meaning how many weeks or months of operation your current cash supports at the current burn rate.

Runway is calculated simply: current cash on hand divided by average monthly net cash outflow. A business with 150,000 dollars in the bank and a 25,000 dollar average monthly cash burn has six months of runway. Knowing this number changes decisions long before a crisis arrives.

Chapter 2: Building a Three-Scenario Forecast

A single forecast line gives a false sense of precision. Building three scenarios side by side, best case, base case, and worst case, gives a far more honest picture of your range of outcomes.

- **Base case.** Your realistic forecast based on current trends: expected collections, typical payment timing, and planned expenses.
- **Best case.** What happens if a few things go right: a large invoice collected early, a new client signed, an expense delayed.
- **Worst case.** What happens if a few things go wrong: a major customer pays late, a planned sale slips, an unexpected cost appears.

The worst-case scenario is the one that matters most for planning. If your worst case still leaves you with a positive cash balance and reasonable runway, you are in a defensible position. If it does not, that is the signal to act now, not once the worst case actually happens.

Chapter 3: When to Raise a Line of Credit vs When to Cut Costs

These are not the same decision, though they are often confused. A line of credit addresses a timing problem, cash arriving later than it is needed, in a business that is otherwise fundamentally healthy. Cutting costs addresses a structural problem, where the business is spending more than its underlying economics can support regardless of timing.

A useful test: if your base-case forecast shows healthy cash flow but your worst case shows a temporary dip tied to a specific, identifiable cause, a credit facility as a buffer is usually the right tool. If even your base case shows declining cash month over month with no specific cause, cost structure is the underlying issue and financing will only delay the reckoning.

Chapter 4: Financing Options Compared

None of the options below are universally right or wrong. Each fits a different situation.

- **Business line of credit.** Best for smoothing predictable timing gaps. Draw only what you need, pay interest only on the amount drawn. Requires an existing banking relationship and reasonable credit history.
- **Invoice factoring.** Best for businesses with strong B2B receivables but slow-paying customers. You receive a percentage of an invoice's value upfront, with the factoring company collecting from your customer. Faster to access than a loan but generally more expensive.
- **Term loan.** Best for a specific, one-time capital need, such as equipment or expansion. Fixed repayment schedule, typically requires stronger financial history than a line of credit.
- **SBA loan.** Best for larger, longer-term financing needs at more favourable rates than many alternatives, in exchange for a longer and more document-intensive application process.

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