

Chapter 4

Developing pro forma income statement, balance sheet and external

Worksheet

Company Name:	Vectra Manufacturing
Date of Financial Statements:	December 31, 2002
Sales Forecast (percentage increase)	40.00%
Desired Cost of Goods Sold	76.00%
Operating expenses (percent of sales)	11.00%
Interest expense	\$1,100
Tax rate	15.00%
Common share dividends paid	\$1,000
Cash balance	\$8,000
Increase in net fixed assets	\$28,000
Days in inventory	73
Average collection period	41
Average payment period	62
Percentage of purchases in COGS	45%
Percentage of taxes payable	25%

Vectra Manufacturing Pro Forma Income Statement December 31, 2002

	2001	2002
Sales Revenue	\$100,000	\$140,000
Cost of Goods Sold	<u>80,000</u>	<u>106,400</u>
Gross Profit Margin	\$20,000	\$33,600
Less: Operating expenses	<u>10,000</u>	<u>15,400</u>
Operating earnings	10,000	18,200
Less: Interest expenses	<u>1,000</u>	<u>1,100</u>
Earnings Before Taxes (EBT)	9,000	17,100
Taxes (15%),(15%)	<u>1,350</u>	<u>2,565</u>
Net income after tax (NIAT)	7,650	14,535
Less: Common share dividends	4,000	1,000
Reinvested Profits	<u>\$3,650</u>	<u>\$13,535</u>

Vectra Manufacturing Pro Forma Balance Sheet December 31, 2002

	2001	2002
Assets		
Current Assets		
Cash	\$6,000	\$8,000
Marketable Securities	4,000	4,000
Accounts Receivable	13,000	15,726
Inventory	<u>16,000</u>	<u>21,280</u>