

# [Accounting and forecasting](https://assignbuster.com/accounting-and-forecasting/)

[Finance](https://assignbuster.com/essay-subjects/finance/)

Sales Growth And Forecast Mark Cole CLN4U-01 Mr. Tomei Sales Forecast and Growth Year to Year percentage growth in net sales can be calculated by the formula of
(S1-S0)/S0. Using this formula, g(growth) for year 2005 can be calculated by (11933-11062)/11062 which is 7. 87%, the growth in year 2006 is (9181-11933)/11933 which gives negative growth of -23. 06%. For the next year of 2007 growth is (6141-9181)/9181 that is equal to -33. 11%, again high declining growth. For the last year 2008 there was positive growth of 35. 71% calculated by (8334-6141)/6141 = 35. 71%
As the target growth for the year 2009 was 10%, the target revenue for the year 2009 was (8334\*1. 1) that was $9167. 4 Millions. On the basis of last year performance of the company in terms of sales growth the company may have achieved its target.
In percentage of sales method to forecast income statement, all items pertaining to changes in sales are taken in terms of sales (percentage of sales/weight-age). In this method we assume that as sales would increase, Cost of sales and operating expenses would rise by the same. Although, we assume that sales would grow by 20% and restructuring cost would be 2% of sales. We also assume that other income account would not change as other income and interest income does not respond to changes in revenue. On the basis of these assumptions we forecasted net income of $1687 Million in the year 2009 (See table 1).
Reference
Table 1: Forecasted Income Statement
2008 (Mn $)
Weight-ages
2009(Mn $)
(Figures Rounded off to nearest decimal)
Forecasted 2009(Mn$)
a
Sales
8334
(8334\*1. 2)= 10001
10001
b
Cost
5458. 5
5458. 5/8334= . 655
(10001\*. 655)= 6551
6551
c
Gross Margin(a-b)
2876
2876/8334= . 345
3450
3450
d
R&D
525
525/8334= . 063
(10001\*. 063)= 630
630
e
SG&A
691
691/8334= . 083
(10001\*. 083)= 829
829
f
In process R&D
0
0
g
Restructuring cost
0
(10001\*. 02)= 200
200
h
Total Operating Expenses(d+e+f+g)
1216
1659
1659
i
Operating Income(c-h)
1660
1791
1791
j
Total interest and other income net
194
194
194
k
Income before tax (i+j)
1854
1985
1985
l
Provision of Income tax(15%)
278. 1
(1985\*. 15)= 298
298
m
Net income (k-l)
1575. 9
1687
1687