

Accounting and forecasting

[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

$(S_1 - S_0) / S_0$. Using this formula, $g(\text{growth})$ 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

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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

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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