

Free financial accounting essay example

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Answer 1)

Percentage increase in sales figure:

Forecasted Profit and Loss Statement(Refer to excel sheet for calculations):

Forecasted Figures for 2009:

i) Cost of Goods Sold: 65.5% of Revenue Figures

$$= 65.5\% * 10417$$

$$= \$6823.46$$

ii) R&D Expenses: 6.29%* Revenue Figures

$$= 6.29\% * 10417$$

$$= \$655.26$$

iii) Selling, General and Admin Expenses: 8.29%*Revenue Figures

$$= 8.29\% * 10417$$

$$= \$863.61$$

iv) Interest and Other Income: 10% increase in 2008 amount

$$= 194 + 10\%$$

$$= \$213.4$$

Answer 2)

In order to prepare forecasted profit and loss statement, we used the percentage of sales method, where we forecasted line items of the income statement on the basis of their percentage with past revenue of the company. As for Sales, we assumed a 25% increase as compared to the previous year, however, for forecasting line items such as Cost of Goods Sold, R&D Expenses and SG&A Expenses, we used the percentage method where these items were found to be in proportion of 65.5%, 6.29% and 8.

29%, respectively and hence figures for 2009 were forecasted according in proportion to the new revenue. In addition to the above line items, we assumed restructuring costs to be 5% of the new revenue figures.

While all of the above items were assumed to be in proportion to the sales figure, as for interest income, we forecasted the next year figure independent of the sales figure and with a 10% increase during 2009 in comparison to the previous year.

Hence, under finalized assumptions and 15% tax rate, the forecasted net profit of the company was estimated to be \$1502.54, that was 4.63% less than the one in the year 2008.