Tootsie roll industries paper

Tootsie Roll Industries: Loan PackageTootsie Roll Industries Inc. is one of the largest candy companies in the United States. Tootsie Roll Industries was established in 1896 and has grown to become a worldwide company. ??? the Chicago-based company has grown to become one of the countrys largest candy companies, with operations throughout North America and with distribution channels in more than 75 countries??? (Company Information, 2011, p. 1).

The loan package for Tootsie Roll Industries would increase the total liabilities by a 10%. Tootsie Roll Industries is trying to seek a loan that would improve the company??™s net earnings by increasing the company??™s liability by a 10%. Tootsie Roll Industries will complete a loan package that will describe the company??™s current financial situation through the process of ratio analysis of the 2007 financial statements. The company??™s goal is to acquire a loan for $17, 450 million. The company financial structure has maintained a conservative financial position. Tootsie Roll Industries??™ reputation is impeccable and is known for being a stable international company. The loan package will allow the company to acquire the funds needed to make the company better and increase the financial performance. Requirements of the loan packageTootsie Roll Industrie??™s loan package is specific and consists of business and personal information.

The loan package requires many documents as prove and consist of much communication between the lender and the company. The loan package for Tootsie Roll Industry should consist of an executive summary regarding the company, background, the nature of the company, the amount of the loan, how the company will repay the loan, and how the loan will benefit the business. A business profile including location, type of business, service or product, a short history of annual sales, number of employees, forecast of future operations, competition, customers, suppliers, and date of information (Preparing to submit, n. d., p. 1). A resume of the owners, loan request, loan repayment, personal and business financial statement, proposed business, and projections are all part of the loan package.

RatiosThe liquidity of a company??™s assets shows that assets can be used to pay off current debt or current liabilities. The value should be positive after liabilities are paid. If it is negative that means the company is overextended. Two liquidity ratios are working capital and current ratio. Working capital = $21, 910 (Current Assets) – $9, 550 (Current Liability) = $12, 360. The working capital shows what assets are left after current liabilities are covered. A negative working capital would indicate that the company is over extended and in trouble. The company is in a good position because the company has money left after the debts are covered.

Current Ratio = $21, 910 / $9, 550 = 2. 24: 1. The current ratio evaluates the risk of liability against a company.

Anything under one is bad and rates company as risky because of excessive debt. Solvency ratios show the sustainability of a company over a long term time frame. The company needs to sustain business with current operations. Two solvency ratios are debt to total assets ratio and cash debt coverage ratio. The Debt to total Assets Ratio in 2007 is $174, 495 (Total Liabilities) / $812, 725 (Total Assets) = . 21 or 20%. The 2006 $160, 958 (Total Liabilities) / $791, 639 (Total Assets) = .

20 or 21%. The debt to total assets ratio shows the percentage of assets allocated to liabilities. During 2006 20% of assets covered the liabilities and during 2007 21% covered the liabilities.

The Cash Debt Coverage Ratio 90, 064 (Cash provided by Operations) / (57, 972+62, 211) (Average Liabilities) / 2= 90, 064 /60, 091. 5= 1. 5. The cash debt coverage ratio shows how much cash is available in the company after debt is covered. Profitability ratios show how profitable is the company??™s operations.

The profits of the company are used to grow operations so it is important to increase profits consistently. Two profitability ratios are the return on asset ratio and the asset turnover ratio. The Return on Asset Ratio is 52, 625 Net Income / (812, 725 + 791, 639)/2 (Average Total Assets) = 802, 182 = 6. 6% The Return on Assets shows how much income comes from every dollar in assets.

The Asset Turnover Ratio is 492, 742 (Net Sales) / (812, 725 + 791, 639/2) (Average Total Assets) = 802, 182 = $0. 61. The Asset Turnover Ratio shows turnover of sales for every dollar invested in assets by Tootsie Roll Industries. Justification of the reason the company needs the loanTootsie Roll management has a commitment to determine how much capital the business will need to conduct its operations properly.

The capital requirements of the enterprise will be developed at the time of the information, although the ordinary estimates should be periodically reviewed considering modifications in the scope of the business activities and other unforeseen factors. Once a decision is made regarding the amount of capital, and presuming that the business form is used, it is vital to allocate the financing burden among equity based capital. This accumulates through the sale of stock to existing and new investors, and by retention of company earnings otherwise obtainable for distribution to shareholders (Gutterman, 1994, p. 1). The financing that may be available to Tootsie Roll is universally a function of the growth and the development of the business itself and will alter over time in the following way: 1.

If Tootsie Roll becomes more successful, additional capital could be raised. Private equity and debt placements with wealthy individuals??™ investors or with venture capital organizations are way to raise capital. These kinds of investments might take the form of convertible stock or convertible debt instruments. More capital may be accessible from large commercial lenders, suppliers, and customers who may be willing enter go an arrangement that support favorable cash flow to the company (Gutterman, 1994, p.

1). 2. After a while Tootsie Roll can sell securities into the public market, thereby supporting liquidity for existing investors and a new source of capital for long term investments, expansion, improvements of product lines, and research and development. A public corporation may gain access to different types of commercial financing from a number of a variety banks on terms more favorable than those given to new start-up businesses (Gutterman, 1994, p. 1). Plans for LoanEstablished in 1896 Tootsie Roll Inc.

is a candy favorite for all. For years these delectable treats are more than satisfying to the masses the candies meet. The special needs of consumers with no nut or gluten allergies are the primarily of kosher candy. With an approved loan Tootsie Roll Inc. plans to invest in the marketing and production increasing the liquidity by 10%. In 2007 Tootsie Roll Inc.

invested $92 million in marketing and selling expenses in 2007 Tootsie also saw a decrease in sales of $52 million dollars. In 2006 Tootsie invested $95 million and saw a profit of $66 million. Tootsie largest selling times are Christmas and Halloween. If Tootsie had the funds to invest more heavily in promoting products to individuals in the allergy segments or heavily promoting their sugar free brand to the diabetic association as a ??? sweet??? treat for those struggling with diabetes and missing the candies of his or her youth. Second, if Tootsie can invest in the countries where the company imports raw materials the company would be able to invest in cocoa and sugar farmers.

This would improve not only the standard of the finished product as well as investing in a partnership that would continue to grow as Tootsies demand for raw materials increased with sales. If Tootsie does not receive this loan it could be another year of decreased profits as there wouldn??™t be enough liquid assets to invest even in the amount of marketing that was invested in 2008. It takes a customer at least three times of hearing or seeing a product before the customer become interested in the product. If marketing continues to decrease it would be even less likely that the customer would whiteness the product and want to buy.

Finally, building a relationship with suppliers and investing in raw materials will allow Tootsie to keep the cost of goods low. ConclusionTootsie Roll Industries will be completing a loan package to increase the liability by 10 %.

The company is trying to increase the net earnings by increasing the company??™s liability.

The loan package will show the company??™s current financial conditions. The approval of the loan will help Tootsie Roll Industries to invest in marketing and the production of the candy. If the loan is not approved, Tootsie Roll Industries will decrease in profits because there will not be enough liquid assets to invest in the marketing of the business.

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