

# Financial management

[Finance](#)



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Question Micro Chip Computer Corporation Selected Financial statements Year-to-year annual growth in total net sales The answers in the following table are reached by calculating the percentage increase in sales in each subsequent year (Prepared from Excel).

2004

2005

2006

2007

2008

Net Sales

\$11, 062

\$11, 933

\$9, 181

\$6, 141

\$8, 334

Growth

 $(11062-11062) / 11062$  $(11933-11062) / 11062$  $(9181-11933) / 11933$  $(6141-9181) / 9181$  $(8334-6141) / 6141$ 

Percentage Growth (Growth \*100%)

\$0. 00

7. 87%

-23. 06%

-33.11%

35.71%

2. 10% sales target

The sales growth is shown as 0% in 2004 because it is used as the base year.

Based on the answers above, the company achieved its sales goal of +10% annual revenue growth in 2009. This is because the growth in 2008 was 35.

71%, meaning that the company achieved proportional sales growth. The

target revenue figure is 110% of \$8334, which is equal to \$9167.4.

Question 2: Micro Chips Consolidated Statement of Operations

3. Forecasted Statement of Operations

The forecast presented below was made using excel, and the calculations

are explained as follows: In the forecasted statement of operations

presented below, the sales figure for 2009 has been increased by 20%.

Assuming that the cost of sales also increases by the same figure, the cost of

sales has been increased by the same margin. R&D costs are assumed to

remain the same for the two years, and the selling and administrative costs

to increase by 20% of the figure in the previous year. Restructuring costs are

computed as 2% of the total sales, and the taxation rate as 15% of the sales

figure. After all these assumptions, the following forecasted statement is

prepared.

9/26/2007 to 9/25/2008

Forecasted Statement for

9/26/2008 to 9/25/2009

Sales

\$8,334.00

\$10,000.80

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Cost of Sales

\$5, 458. 00

\$6, 549. 60

Gross Margin

\$2, 876. 00

\$3, 451. 20

Operating Expenses:

R&D

\$525. 00

\$525. 00

Selling, General and Administrative Expenses

\$691. 00

\$829. 20

In-process R&D

Restructuring Costs

\$200. 02

Total Operating Expenditure

\$1, 216. 00

\$1, 554. 22

Operating Income

\$1, 660. 00

\$1, 896. 98

Total Interest and Other Income, net

\$194. 00

\$194. 00

Income before Provision for Income Taxes

\$1, 854. 00

\$2, 090. 98

Provision for Income Taxes (15%)

\$278. 10

313. 6476

Net Income

\$1, 575. 90

\$1, 777. 34

4. The results shown above indicate that the net income for period September 26, 2008 through to September 25, 2009 indicate that Microchip Computer Corporation will earn a net income of \$1777. 34. To calculate this increase in net income is derived from a 20% increase in net sales, which is accompanied by a corresponding increase in cost of sales. The selling, general and administrative costs are also assumed to increase by the same figure. The forecast of the consolidated statements of operations included the following assumptions:

The cost of sales increases at the same rate as the sales

R&D costs remain constant for the following year

The selling, general and administrative expenses increase at the same rate as the sales

Interest and other income remains constant for the following year.

These assumptions are reasonable because the increasing expenses are expected to increase with sales, while the constant expenses and revenues are not a factor of the sales figure.