

# [Fin 200 week 3 assignmnet pro forma statement assignment](https://assignbuster.com/fin-200-week-3-assignmnet-pro-forma-statement-assignment/)

Week 3 Assignment: Pro Forma Statement The Landis Corporation had 2008 sales of $100 million. The balance sheet items that vary directly with sales and the profit margin are as follows: Percent Cash . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 5% Accounts receivable. . . . . . . . . . . . . . . . . . . . . . 15 Inventory . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 25 Net fixed assets . . . . . . . . . . . . . . . . . . . . . . . . . 40 Accounts payable . . . . . . . . . . . . . . . . . . . . . . . 15 Accruals . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 10

Profit margin after taxes . . . . . . . . . . . . . . . . . . 6% ww. mhhe. com/bhd13 The dividend payout rate is 50 percent of earnings, and the balance in retained earnings at the end of 2008 was $33 million. Common stock and the company’s long-term bonds are constant at $10 million and $5 million, respectively. Notes payable are currently $12 million. a. How much additional external capital will be required for next year if sales increase 15 percent? (Assume that the company is already operating at full capacity. ) If sales increase by 15 %, the additional external capital that will be required would be $5, 550, 000.

The formula to find this out is the (RNF) A L (RNF) = S (? S) – S (? S) –PS2 (1 – D) = 85% ($15 million) – 25% ($15 Million) – 6% (115 Million) (1-50%) = $12. 75 million – $3. 75 million – $6. 9 millon (. 50) = $12. 75 million – $3. 75 million – $3. 45 million = $5. 55 million b. What will happen to external fund requirements if Landis Corporation reduces the payout ratio, grows at a slower rate, or suffers a decline in its profit margin? Discuss each of these separately. If the Landis Corporation reduces the payout ratio, the company will keep more earnings and need fewer funds from lenders.

A slower growth rate means that fewer benefits would have to be assisted and in this case, fewer outside funding would be needed. A declining profit margin would lower reserved earnings and force the company to look for more outside funding. c. Prepare a pro forma balance sheet for 2009 assuming that any external funds being acquired will be in the form of notes payable. Disregard the information in part b in answering this question (that is, use the original information and part a in constructing your pro forma balance sheet). (Dollars in Millions) Pro Forma Balance Sheet 2009 Assets Current assets: 1. Cash……………………………………………………….. $ 5. 5 2. Accounts Receivable……………………………………… 17. 25 3. Inventory…………………………………………………… 28. 75 Total Current Assets……………………………………….. 51. 75 4. Net Fixed Assets…………………………………………… 46. 00 Total Assets………………………………………………………. $97. 75 Liabilities and Stockholders’ Equity 5. Accounts Payable………………………………………….. $17. 25 6. Accruals…………………………………………………… 11. 50 7. Notes Payable……………………………………………… 17. 55 8. Common Stock……………………………………………. 10. 00 9. Long-Term Bonds………………………………………… 5. 00 10. Retained Earnings………………………………………… 36. 45 Total Liabilities and Stockholders’ Equity………………………. $97. 75