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