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Corporate Planning

Investment, Financing, Bank Account

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ASSIGNMENT OF TASKS

In the enterprise in the example given an investment is planned for the beginning of the business year. The sum to be invested amounts to 500,000. The investment object is to be paid totally from the existing bank account. The depreciation period of the object is 10 years.

On the page following the next opening balance sheet, as well as profit plan, finance plan and budgeted balance sheet of the enterprise are presented before considering the above mentioned business activities.

Based on the context of profit plan, finance plan and budgeted balance sheet the following numerical connections between profit plan, finance plan and budgeted balance sheet can be seen even before considering the activity presented above:

The depreciation of 150,000 included in the framework of the fixed costs of the profit plan, has a negative effect on the profit of the enterprise. This effect is corrected with a positive mathematical sign in the finance plan as there is no payment in cash. For this reason, with a profit or loss of 0 in the profit plan a surplus of cash of 150,000 occurs simultaneously in the finance plan.

The depreciation of 150,000 which is presented in the finance plan reduces the value of the fixed assets in the budgeted balance sheet, the surplus of cash of 150,000 from the finance plan increases the bank account in the budgeted balance sheet.

Please, present in what way the investment and the further activities quoted in connection with the investment affect profit plan, finance plan and budgeted balance sheet of the enterprise.

Should a profit arise it must be taxed with a tax rate on income of 30%. There are no taxes prepaid.

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BASIC DATA

Opening Balance Sheet			
Fixed assets	900.000	Equity	500.000
Inventories	500.000	Liabilities	500.000
Receivables	500.000	Bank loan	1.500.000
Bank account	600.000		
Assets	**2.500.000**	**Equity and Liabilities**	**2.500.000**

Profit Plan	
Turnover / Sales	**5.000.000**
Variable costs	**-2.500.000**
Contribution margin	**2.500.000**
Fixed costs	**-2.500.000**
Personnel	-1.500.000
Depreciation	-150.000
Other costs	-750.000
Interest	-100.000
Profit / Loss before tax	**0**
Tax	0
Profit / Loss after tax	**0**

Finance Plan	
Profit / Loss after tax	**0**
Depreciation	150.000
Provision	0
Tax provision	0
Receivables	0
Liabilities	0
Inventories	0
Investments	0
Bank loan	0
Dividend	0
Surplus / Demand	**150.000**

Budgeted Balance Sheet				
Fixed assets	900.000		Equity	500.000
Depreciation	-150.000	750.000	Liabilities	500.000
Inventories	500.000		Bank loan	1.500.000
Receivables	500.000			
Bank account	600.000			
Surplus / Demand	150.000	750.000		
Assets	**2.500.000**		**Equity and Liabilities**	**2.500.000**

ANSWER FORM

Opening Balance Sheet			
Fixed assets	900.000	Equity	500.000
Inventories	500.000	Liabilities	500.000
Receivables	500.000	Bank loan	1.500.000
Bank account	600.000		
Assets	**2.500.000**	**Equity and Liabilities**	**2.500.000**

Profit Plan	
Turnover / Sales	
Variable costs	
Contribution margin	
Fixed costs	
Personnel	
Depreciation	
Other costs	
Interest	
Profit / Loss before tax	
Tax	
Profit / Loss after tax	

Finance Plan	
Profit / Loss after tax	
Depreciation	
Provision	
Tax provision	
Receivables	
Liabilities	
Inventories	
Investments	
Bank loan	
Dividend	
Surplus / Demand	

Budgeted Balance Sheet			
Fixed assets		Equity	
Inventories		Liabilities	
Receivables		Bank loan	
Bank account			
Assets		**Equity and Liabilities**	

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ANSWER KEY STEP 1-4/4

Opening Balance Sheet			
Fixed assets	900.000	Equity	500.000
Inventories	500.000	Liabilities	500.000
Receivables	500.000	Bank loan	1.500.000
Bank account	600.000		
Assets	**2.500.000**	**Equity and Liabilities**	**2.500.000**

	Profit Plan		
	Turnover / Sales	**5.000.000**	
	Variable costs	**-2.500.000**	
	Contribution margin	**2.500.000**	
	Fixed costs	**-2.550.000**	
	Personnel	-1.500.000	
	Depreciation	-150.000	
2 ➔	Depr. Investment	-50.000	-200.000
	Other costs	-750.000	
	Interest	-100.000	
3 ➔	**Profit / Loss before tax**	**-50.000**	
	Tax	0	
3 ➔	**Profit / Loss after tax**	**-50.000**	

Finance Plan			
Profit / Loss after tax	**-50.000**		🡐 3
Depreciation	150.000		🡐
Depr. Investment	50.000	200.000	🡐 2
Provision	0		
Tax provision	0		
Receivables	0		
Liabilities	0		
Inventories	0		
Investments	0		
Investment	-500.000	-500.000	🡐 1
Bank loan	0		
Dividend	0		
Surplus / Demand	**-350.000**		🡐 4

	Budgeted Balance Sheet						
	Fixed assets	900.000		Equity	500.000		
➔	Depreciation	-150.000		Profit / Loss after tax	-50.000	450.000	🡐 3
1 ➔	Investment	500.000		Liabilities	500.000		
2 ➔	Depr. Investment	-50.000	1.200.000	Bank loan	1.500.000		
	Inventories	500.000					
	Receivables	500.000					
	Bank account	600.000					
4 ➔	Surplus / Demand	-350.000	250.000				
	Assets	**2.450.000**		**Equity and Liabilities**	**2.450.000**		

Data

Investment	500.000
Useful life	10
Depreciation	50.000

ANNOTATION TO THE ANSWER KEY

The planned investment of 500,000 has a deteriorating effect on the liquidity in the finance plan of the enterprise. (step 1)

The depreciation amount of 50,000 results from dividing the investment amount of 500,000 by the depreciation period or useful life of the investment object of 10 years.

Due to the additional depreciation amount of 50,000 the fixed cost rise in the profit plan by 50,000. So, the depreciation has a negative effect on the result in the profit plan of the enterprise. At the same time the depreciation is corrected in the finance plan with a positive mathematical sign as it doesn't lead to a payment in cash. (step 2)

As the profit plan in the example given is based on the assumption of a profit or loss of 0 the increased fixed costs result in a loss amounting to 50,000. This loss of 50,000 which was compiled in the profit plan forms simultaneously the new basis for the finance plan. (step 3)

By the new loss of 50,000 which forms the basis for the finance plan (see step 3), by the existing depreciation of 150,000 (see assignment of tasks), by the new depreciation of 50,000 (see step 2) and by the investment of 500,000 (see step 1) cash requirements of 350,000 arise as a result of the finance plan. (step 4)

All changing values are incorporated from the finance plan into the budgeted balance sheet:

The investment of 500,000 increases the fixed assets in the budgeted balance sheet. (step 1)

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The existing depreciation of 150,000 (basic data) and the new depreciation of 50,000 (step 2) reduce the fixed assets in the budgeted balance sheet.

The loss of 50,000 which was transfered from the profit plan to the finance plan reduces the equity in the budgeted balance sheet. (step 3)

The demand for cash as the result of the finance plan reduces the bank account in the balance sheet. (step 4)