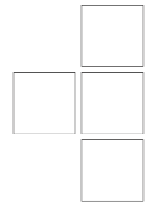


SEEBACHER-METHOD®

# Corporate Planning

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Loan, Increase, Interest

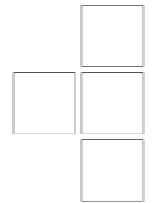


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Please note that despite careful processing all data, annotations, presentations and calculations in the example given are made without warranty and that the author or the publisher refuse to accept any liability.



## ASSIGNMENT OF TASKS

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In the enterprise in the example given the existing bank loan is planned to be increased by the amount of 250,000 at the beginning of the business year. The interest rate for the additional loan is 5% annually and is debited against the existing bank account.

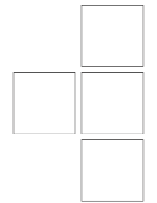
On the page following the next opening balance sheet, as well as profit plan, finance plan and budgeted balance sheet of the enterprise are presented before taking the above described business activity into consideration.

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 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 amounting to 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 in the finance plan increases the bank account in the budgeted balance sheet.

Please, present in what way the increase of the loan and the interest payment for this additional loan affect profit plan, finance plan and budgeted balance sheet of the enterprise.



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

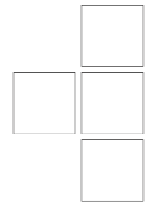
## BASIC DATA

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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		
<b>Assets</b>	<b>2.500.000</b>	<b>Equity and Liabilities</b>	<b>2.500.000</b>

Profit Plan		Finance Plan	
<b>Turnover / Sales</b>	<b>5.000.000</b>	<b>Profit / Loss after tax</b>	<b>0</b>
<b>Variable costs</b>	<b>-2.500.000</b>	Depreciation	150.000
<b>Contribution margin</b>	<b>2.500.000</b>	Provision	0
<b>Fixed costs</b>	<b>-2.500.000</b>	Tax provision	0
Personnel	-1.500.000	Receivables	0
Depreciation	-150.000	Liabilities	0
Other costs	-750.000	Inventories	0
Interest	-100.000	Investments	0
<b>Profit / Loss before tax</b>	<b>0</b>	Bank loan	0
Tax	0	Dividend	0
<b>Profit / Loss after tax</b>	<b>0</b>	<b>Surplus / Demand</b>	<b>150.000</b>

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		
<b>Assets</b>	<b>2.500.000</b>		<b>Equity and Liabilities</b>	<b>2.500.000</b>



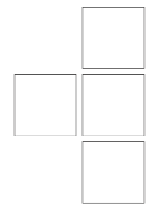
ANSWER FORM

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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		
<b>Assets</b>	<b>2.500.000</b>	<b>Equity and Liabilities</b>	<b>2.500.000</b>

Profit Plan	Finance Plan
<b>Turnover / Sales</b>	<b>Profit / Loss after tax</b>
<b>Variable costs</b>	Depreciation
<b>Contribution margin</b>	Provision
<b>Fixed costs</b>	Tax provision
Personnel	Receivables
Depreciation	Liabilities
Other costs	Inventories
Interest	Investments
<b>Profit / Loss before tax</b>	Bank loan
Tax	Dividend
<b>Profit / Loss after tax</b>	<b>Surplus / Demand</b>

Budgeted Balance Sheet	
Fixed assets	Equity
Inventories	Liabilities
Receivables	Bank loan
Bank account	
<b>Assets</b>	<b>Equity and Liabilities</b>



ANSWER KEY STEP 1-4/4

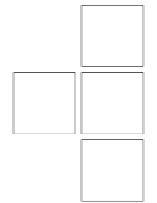
Opening Balance Sheet			
Fixed assets	900.000	Equity	500.000
Inventories	500.000	Liabilities	500.000
Receivables	500.000	Bank loan	1.500.000
Bank account	600.000		
<b>Assets</b>	<b>2.500.000</b>	<b>Equity and Liabilities</b>	<b>2.500.000</b>

Profit Plan			Finance Plan		
<b>Turnover / Sales</b>	<b>5.000.000</b>		<b>Profit / Loss after tax</b>	<b>-12.500</b>	← 3
<b>Variable costs</b>	<b>-2.500.000</b>		Depreciation	150.000	←
<b>Contribution margin</b>	<b>2.500.000</b>		Provision	0	
<b>Fixed costs</b>	<b>-2.512.500</b>		Tax provision	0	
Personnel	-1.500.000		Receivables	0	
Depreciation	-150.000		Liabilities	0	
Other costs	-750.000		Inventories	0	
Interest	-100.000		Investments	0	
2 → Interest bank loan	-12.500	-112.500	Bank loan	0	
3 → <b>Profit / Loss before tax</b>	<b>-12.500</b>		Bank loan	250.000	← 1
Tax	0		Dividend	0	
3 → <b>Profit / Loss after tax</b>	<b>-12.500</b>		<b>Surplus / Demand</b>	<b>387.500</b>	← 4

Budgeted Balance Sheet					
Fixed assets	900.000		Equity	500.000	
→ Depreciation	-150.000	750.000	Profit / Loss after tax	-12.500	← 3
Inventories	500.000		Liabilities	500.000	
Receivables	500.000		Bank loan	1.500.000	
Bank account	600.000		Bank loan	250.000	← 1
4 → <b>Surplus / Demand</b>	<b>387.500</b>	987.500			
<b>Assets</b>	<b>2.737.500</b>		<b>Equity and Liabilities</b>	<b>2.737.500</b>	

**Data**

<b>Bank loan</b>	250.000
Interest rate	5%
Interest	12.500



## ANNOTATION TO THE ANSWER KEY

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The increase of the loan by 250,000 improves the liquidity in the finance plan of the enterprise. (step 1)

The interest rate for the additional credit amounts to 5% annually. 5% multiplied by the additional credit balance of 250,000 results in an additional interest expense of 12,500.

Due to the additional interest amount of 12,500 the fixed costs rise by 12,500 in the profit plan. (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 12,500. This loss of 12,500 which was compiled in the profit plan forms also the new basis for the finance plan. (step 3)

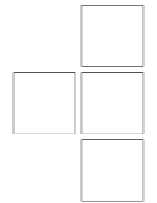
By the loss of 12,500 which forms the basis for the finance plan (see step 3), by the existing depreciation of 150,000 (see assignment of tasks) and the increase of the loan by 250,000 (see step 1) a surplus of cash of 387,500 arises as the result of the finance plan. (step 4)

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

The raising of the loan of 250,000 increases the existing bank loan in the budgeted balance sheet. (step1)

The existing depreciation of 150,000 (see basic data) reduces the fixed assets in the budgeted balance sheet.





The loss of 12,500 which was transferred from the profit plan to the finance plan reduces the equity in the budgeted balance sheet. (step 3)

The surplus of cash of 387,500 as the result of the finance plan increases the bank account in the budgeted balance sheet. (step 4)