SEEBACHER-METHOD®

Corporate Planning

Provision, Formation

SEEBACHER-METHOD®

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ASSIGNMENT OF TASKS

The enterprise in the example given will have to form provisions for holidays which were not consumed at the end of the planned year. The number of holiday weeks that were not consumed is expected to amount to 2 weeks, the same for all employees.

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 described business activity into account.

Based on the context of profit plan, finance plan and budgeted balance sheet the following numerical connections between the elements 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 in 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 the depreciation doesn’t lead to a 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 activity described affects 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	**-2.700.000**
Contribution margin	**2.300.000**
Fixed costs	**-2.300.000**
Personnel	-1.300.000
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**	

ANSWER KEY STEP 1-3/3

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			Finance Plan			
	Turnover / Sales	**5.000.000**		**Profit / Loss after tax**	**-50.000**		← 2
	Variable costs	**-2.700.000**		Depreciation	150.000		←
	Contribution margin	**2.300.000**		Provision	0		
	Fixed costs	**-2.350.000**		Formation Provision	50.000	50.000	← 1
	Personnel	-1.300.000		Tax provision	0		
1 →	Formation Provision	-50.000	-1.350.000	Receivables	0		
	Depreciation	-150.000		Liabilities	0		
	Other costs	-750.000		Inventories	0		
	Interest	-100.000		Investments	0		
2 →	**Profit / Loss before tax**	**-50.000**		Bank loan	0		
	Tax	0		Dividend	0		
2 →	**Profit / Loss after tax**	**-50.000**		**Surplus / Demand**	**150.000**		← 3

	Budgeted Balance Sheet						
	Fixed assets	900.000		Equity	500.000		
→	Depreciation	-150.000	750.000	Profit / Loss after tax	-50.000	450.000	← 2
	Inventories	500.000		Provision	0		
	Receivables	500.000		Formation Provision	50.000	50.000	← 1
	Bank account	600.000		Liabilities	500.000		
3 →	Surplus / Demand	150.000	750.000	Bank loan	1.500.000		
	Assets	**2.500.000**		**Equity and Liabilities**	**2.500.000**		

Data	
Personnel costs	1.300.000
not consumed weeks	2
Provision	50.000

ANNOTATION TO THE ANSWER KEY

The provision amount of 50,000 that must be formed results (to put it simply) from dividing the total personnel costs of 1,300,000 through the number of calendar weeks of the year (52 weeks) multiplied by the number of holiday weeks that were not consumed (2 weeks).

The formation of the provision of 50,000 increases the personnel costs in the profit plan. The formation of the provision has a negative effect on the result in the profit plan of the enterprise. At the same time the formation of the provision is corrected with a positive mathematical sign in the finance plan as it doesn't lead to a payment in cash. (step 1)

Due to the increased personnel costs by 50,000 because of the formation of the provision the total costs increase in the profit plan by 50,000. As the profit plan in the example given was based on a profit or loss of 0 and as there is no effect on the income, the formation of the provision results in a loss to the extent of 50,000. This loss that was compiled in the profit plan forms simultaneously the new basis for the finance plan. (step 2)

Due to the new loss of 50,000 which forms the basis for the finance plan (see step 2), due to the existing depreciation of 150,000 (see assignment of tasks) and the formation of the provision amounting to 50,000 (see step 1), a surplus of cash of 150,000 arises as the result of the finance plan. (step 3)

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

The provision amounting to 50,000 becomes a new item in the budgeted balance sheet. (step 1)

The existing depreciation of 150,000 (basic data) continues to reduce the fixed assets in the budgeted balance sheet.

The loss of 50,000 which was transferred from the profit plan into the finance plan reduces the equity in the budgeted balance sheet. (step 2)

The surplus of cash as the result of the finance plan increases the bank account in the budgeted balance sheet. (step 3)