

MODULE 03: FINANCIAL ANALYSIS

Lecture Title 07: BUDGETING & BUSINESS FORECASTS

Lecturer: Antoine P. Portelli

Date: 27 January 2024



**Undergraduate Diploma in
Business Administration**

Group Presentations

Each Group will be assigned, by lot, a different Annual Report. The chosen report must be used for the group presentation on Wednesday, 7 February 2024's session.

- Analyse and comment on the financial performance of the company using **ratio analysis**.
- Use between **5 and 7 ratios**.
- Give the **workings** at arriving at each of the chosen ratios, indicating from where the financial information was obtained.
- **Compare the ratios** of the company for this financial year and last year's ratios.
- **Research information** about the company that you consider relevant to potential new investors.



Groups

1	2	3	4
Anushree Dhunghel	Gurbhag Singh	Marina Selivanova	Bimash Pariyar
Gaganjot Singh	Manjot Singh	Muhammad Moaz	Rina Karki
Lokesh Rana	Manpreet Khaur	Varinder Singh	Rohit Kumar
Panth Piyar Singh	Nitish Singh	Mahimaben Bhupendrabhai Parmar	Sajan Rai
	Sahil		Sukraman Lama
			Vipin Yadav



Presentations

The 4 Annual Reports links are:

A. Ultramarine & Pigments Limited

- <https://www.learnstockmarket.in/ar/Ultramarine-Pigments-Annual-Report-2023.pdf>

B. Astral Limited

- <https://www.bseindia.com/xml-data/corpfiling/AttachHis//aa9741a9-f026-474d-9169-5be6f7a1a073.pdf>

C. Torrent Pharmaceuticals Limited

- <https://www.bseindia.com/xml-data/corpfiling/AttachHis//6fe845d6-918b-4ab8-9efd-36588666eed.pdf>

D. EIH Associated Hotels Limited

- <https://www.bseindia.com/xml-data/corpfiling/AttachHis//ba1422ed-e814-4d1a-9896-94ce3ae8d893.pdf>



Presentation

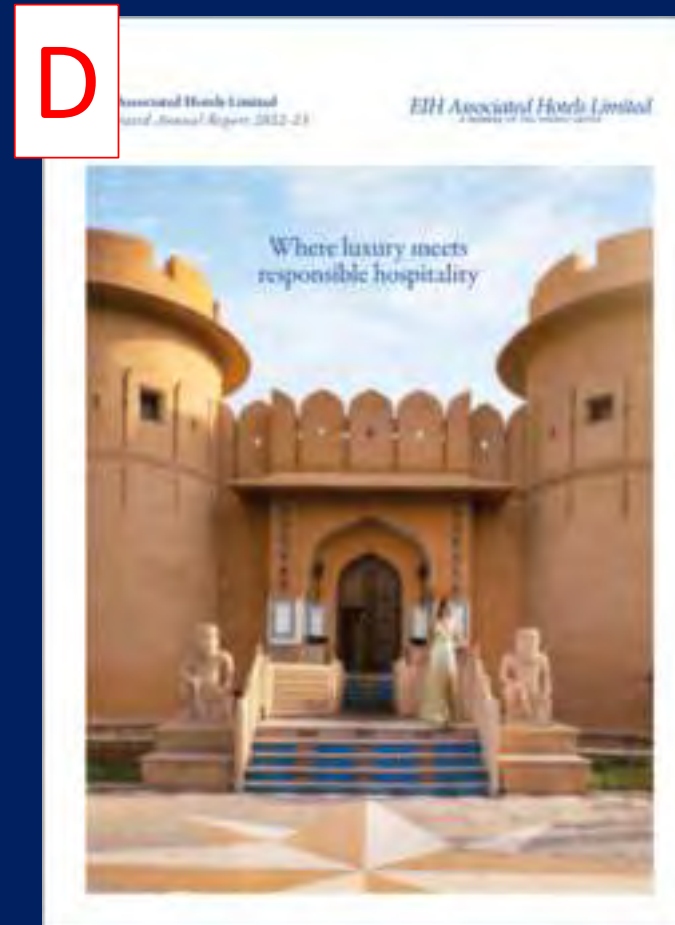
A



B



Presentation



Group Presentations

Group 1

**EIH Associated Hotels
Limited**

Group 2

**Torrent Pharmaceuticals
Limited**

Group 3

**Ultramarine & Pigments
Limited**

Group 4

Astral Limited



Assignment Questions

- Assignment Deadline: **15 February 2024**
- Approx. 20 hours researching and writing
- Word count: 1,200 words
- You are expected to use the Harvard referencing style
- Presentation is VERY important
- Choose any ONE of the questions



Assignment Questions

Question 1:

Ratio analysis is an important tool to measure and interpret the success of any business. It allows top management to understand the health of the business, and map strategies for the future.

Outline the financial ratios listed hereunder, providing details on how to calculate the ratios. List also, for each ratio, their meaning and use; and their importance and limitations:

- Acid-Test Ratio
- Asset Turnover Ratio
- Average Inventories Turnover Period
- Average Receivables Settlement Period
- Current Ratio
- Earnings per Share
- Gearing Ratio
- Gross Profit Margin
- Return on Capital Employed
- Return on Equity



Assignment Questions

Question 2:

The financial requirements of a business entity differ from one another. In the context of today's realities, provide a critical overview of the requirements on the basis of terms and periods of financial requirement faced by business. Provide detailed examples of the various forms of business finance available to a business.

Question 3:

Financial Accounting is driven by Principles and Concepts. Provide a detailed explanation of each of these principles and concepts, giving examples of each; their relevance; and any limitations that the application of such principles and concepts have on businesses in today's world.



What we covered in Lecture 06

- Long-Term Sources of Finance
- Risk Assessments
- Business Life-Cycle



Long-Term Sources of Finance

- To purchase and finance long-term assets (Fixed Assets)
 - Cheaper than short-term finance
 - Longer to obtain
 - Collateral
-
- Long-term Debt
 - Equity



Risk

- Risk appetite of Business
- Lowest: Debt vs. Equity
- Lowest: Short-term vs. Long-term
- Flexible terms vs. Fixed term
- Collateral vs. Provisions
- Dividends vs. Interest



Business Lifecycle

A firm typically goes through **5** stages in its life cycle: start-up, growth, maturity, decline, and closing.

The business life cycle.



- Each stage presents unique problems, opportunities, and funding requirements.
- Business life cycles vary considerably. Some firms go through the early stages fairly rapidly and then settle into maturity for a long time, while others skip to the closing stage in a few years.
- Some estimates predict that roughly 60% of businesses that employ others besides the owners will close within their first 6 years.
- The life cycle approach is a useful way to discuss financing opportunities and sources for businesses.

Today's Agenda



Reporting the Analysis



Budgetary Process



Business Forecasts

Reporting the Analysis



A Framework for Interpretation

- Objectives of the analysis:
 - Who wants the info and why?
(e.g. Investor / Creditor / Takeover analyst)
 - What information is required?
 - Where is information to be found?
 - Going beyond the annual report
 - What factors may distort the analysis?



Distorting Factors

- What is the story told by the accounts?
- Is the story the truth?
- Are there confounding factors in the source data?
 - lack of context
 - accounting policy choice
 - inflation
 - intangibles (effect of brands/ knowhow/ management skills)



Reporting the Results of Analysis

1

Try to produce a structured report

2

Avoid jargon

3

Define all calculations

4

Use as many sources as appropriate

5

Report Format

- Introduction
- Analysis
- Advice and recommendations
- Conclusions

Report Format: Introduction

- Terms of reference of report (objectives)
- Identify subject (entity being analysed)
- Identify reader(s)
- Indicate structure of report (sections – use of appendices)



Report Format: Analysis

- A number of sections
- Profitability
- Use of assets
- Servicing of debt
- Suitability as an investment



Report Format: Advice and Recommendations

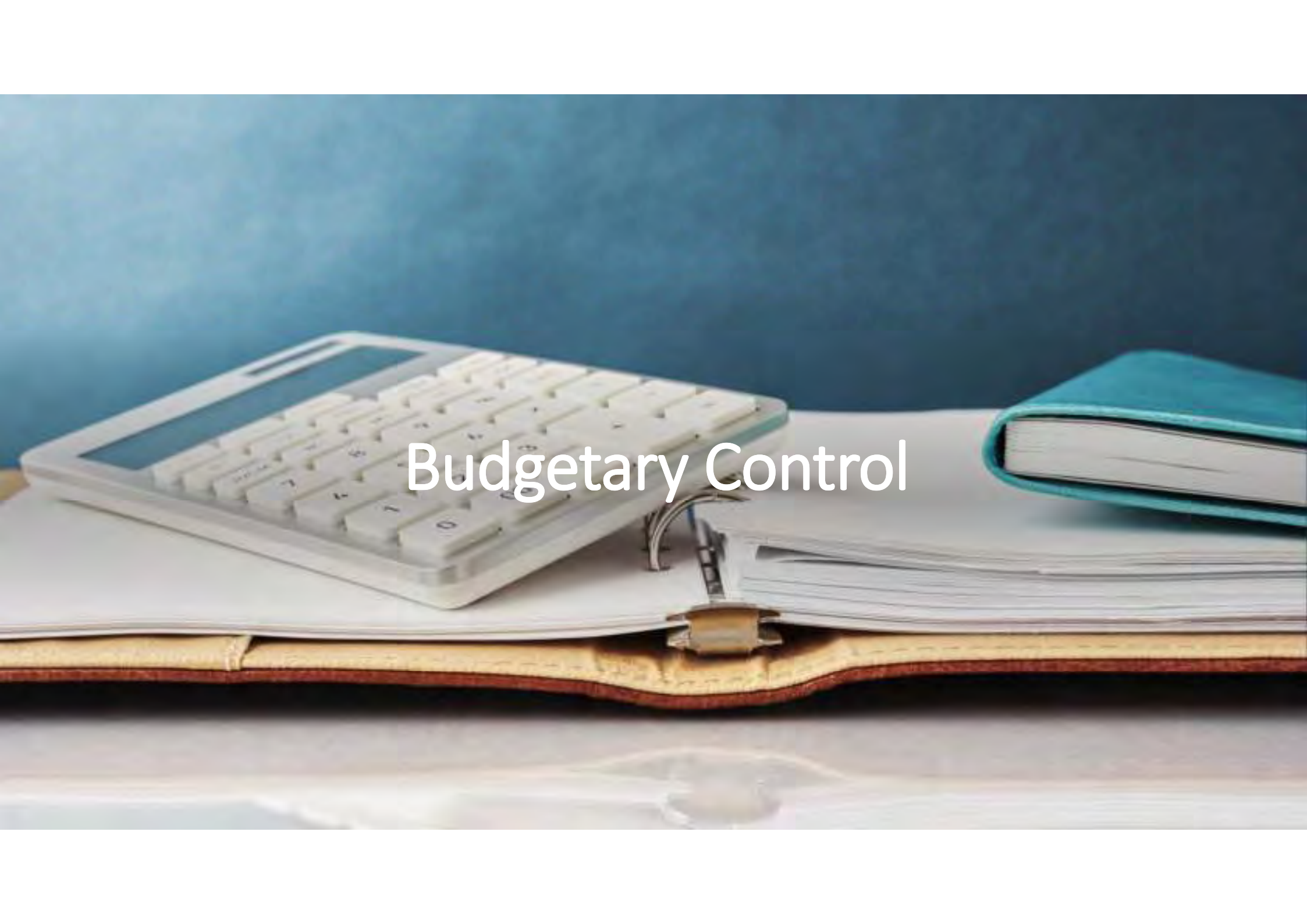
- Hardest section
- Start with obvious advice first, e.g.:
 - Low profitability: raise sales volume/prices or lower costs
 - Market Research: is product/service likely to increase in demand ?
 - Debt servicing problems: restructure debt/ refinance
 - Investment options: Buy or Lease
- Always give options, where possible!



Report Format: Conclusions

- Summarise main points of analysis
- Conclude: be clear
- Emphasize your conclusion
- Indicate limitations of analysis



A photograph of a white calculator, a spiral-bound notebook, and a teal notebook on a desk. The text "Budgetary Control" is overlaid in the center of the image.

Budgetary Control

Planning

QUICK STUDY: **A Plan Is Not a Strategy**

Harvard
Business
Review



Budgetary control

- Internal to the business
- Is the process of developing a plan on spending the budgeted money and periodically comparing actual expenditures against that plan to determine if everything is on track
- Is necessary to meet various financial goals



Purpose and content of budgets

The **purpose**

- Forecast of income and expenditure (and thereby profitability)
- Tool for decision making by:
 - Management
 - Board of Directors
 - Shareholders
- Means to monitor business performance



Purpose and content of budgets

The budget of a business serves five main purposes

- Communication
- Coordination
- Planning
- Control
- Evaluation



Purpose of budgets

Other purposes

- It makes financial information accessible to the people in the organisation that need to use it
- Helps avoid waste – as each amount of money is carefully calculated, helping to see how they are spent
- Promotes forward thinking
- Helps to challenge the Status Quo



Purpose of budgets

Other purposes

- Turns strategic objectives into practical reality
- Establishes priorities
- Assigns responsibilities
- Delegates without loss of control
- Provides motivation for managers
- Motivates staff



Content of budgets

Content

- Sales volumes
- Revenues
- Resource quantities
- Costs and expenses
- Assets
- Liabilities
- Cash flows, etc.



Purpose and content of budgets

A budget should contain **two main categories**

- Expected Expenditure
 - Capital costs
 - assets that need to be bought: Buildings, computers, cars, storage,
 - Running costs
 - expenses to help running the operation: rent, electricity, telephone, professional advice,
 - Staff costs
 - salaries, staff benefits, staff training,
 - Project costs or operational costs
 - buying materials and stock, printing costs, transport costs, workshop costs, catering,



Purpose and content of budgets

- Expected Income
 - Donor funds
 - lists the funders and the amounts expected from them
 - Membership fees
 - Donations
 - Fund-raising events
 - Sales
 - Products and services sold by the business



Purpose and content of budgets

The difference between the Expected Expenditure and the Expected Income

- If the business will get more money than it will spend – it is referred to as Expected Surplus – Expected Profit
- If the business will get less money - it is called a Deficit – Expected Operational Loss



Budgetary control process

It includes

- Preparation of various budgets
- Continuous comparison of actual performance with budgetary performance
- Revision of budgets in the light of changed circumstances



Budgetary control process

Should comprise of

- Budget centres - units responsible for the preparation of budgets
- Budget committee - consisting of:
 - senior members of the organisation and departmental heads
 - Budget Officer



Budget Centres & Committees

- Budget centres - units responsible for the preparation of budgets
- Budget committee - consisting of:
 - Senior members of the organisation and departmental heads
 - Responsibilities:
 - Coordination of the preparation of budgets
 - Issuance of timetables for preparation of budgets
 - Provision of information to assist budget preparations
 - Comparison of actual results with budget and investigation of variances



Budget Officer

- Will co-ordinate and control the budget administration
- Responsibilities
 - Liaising between the budget committee and managers responsible for budget preparation
 - Dealing with budgetary control problems
 - Ensuring that deadlines are met
 - Educating people about budgetary control



Budget control process

Should comprise of

- Budget Manual
Document containing
 - Charts the organisation
 - Details of the budget procedures
 - Account codes
 - Timetables of the process
 - Definitions of responsibilities of all involved persons and officers
- Budget Controller – the Chief Executive Officer



Importance of budgets for management

The budgets help a business benefit in many ways:

- Enhancing managerial perspective
- Flagging potential problems
- Coordinating activities



Benefits of Budget Process

The budgets help a business benefit in many ways:

- Enhancing managerial perspective
 - the business economic forecasting help managers synthesize the external environment with the company's internal objectives
- Flagging potential problems
 - helping managers revise their immediate plans to cover for shortfalls
- Coordinating activities
 - by including all various segments within the business



Importance of budgets for management

The budgets help a business benefit in many ways:

- **Evaluating performance** - with established criteria for quick and easy performance evaluations
- **Defining goals** - showing growth levels on each department of the company
- **Effective communication** - in setting expectations and deadlines
- **Actual performance reporting** - by regular comparison of actual performance to the budget



Zero based budgeting



Zero based budgeting

It starts from a "zero base" and every function within an organization is analysed for its needs and costs

Budgets are then built around what is needed for the upcoming period

regardless of whether the budget is higher or lower than the previous one



Zero based budgeting

Advantages

- Efficient allocation of resources, as it is based on needs and benefits rather than history
- Detects inflated budgets
- Increases staff motivation
- Increases communication and coordination
- Identifies and eliminates wasteful and obsolete operations
- Identifies opportunities for outsourcing



Zero based budgeting

Disadvantages

- Time-consuming
- Justifying every line item can be problematic for departments with intangible outputs
- Requires specific training, due to increased complexity
- In a large organization, the amount of information backing up the budgeting process may be overwhelming



Incremental budgeting



Incremental budgeting

It is budgeting based on small changes from the preceding period's budgeted results or actual results



Incremental budgeting

Advantages

- Simplicity
 - based on easily verified financial results
- Funding stability
 - for programs requiring funding for multiple years in order to achieve a certain outcome
- Operational stability



Incremental budgeting

Disadvantages

- Incremental in nature
 - it assumes minor changes from the preceding period, when in fact there may be major structural changes in the business
- Fosters overspending
 - a drop in expenditures in one period will be reflected in future periods
- Budgetary slack
 - managers tend to build too little revenue growth and excessive expenses into incremental budgets, so that they will always have favourable variances



Incremental budgeting

Disadvantages

- Variance from actual
 - there tends to be a growing disconnection between the budget and actual results
- Perpetuates resource allocations
- Risk taking
 - difficult to obtain a large funding allocation to direct at a new activity





BUDGET FORECAST TEMPLATE

CURRENT BUDGET: GOODS

TASK	LABOR		MATERIALS		FIXED COST	BUDGET	ACTUAL	UNDER/OVER
	Hours	Rate	Unit	Price Per Unit				
Category 1								
Task # 1	15	\$25.00	45	\$12.00	\$250	\$1,165.00	\$1,000.00	-\$165.00
Task # 2	10	\$10.00	40	\$11.00	\$200	\$740.00	\$750.00	\$10.00
Task # 3	12	\$15.00	35	\$15.00	\$230	\$935.00	\$1,000.00	\$65.00
Task # 4	11	\$12.00	50	\$14.00	\$150	\$982.00	\$1,000.00	\$18.00
Task # 5	14	\$20.00	35	\$10.00	\$180	\$810.00	\$800.00	-\$10.00
TOTAL						\$4,632.00	\$4,550.00	

TASK	LABOR		MATERIALS		FIXED COST	BUDGET	ACTUAL	UNDER/OVER
	Hours	Rate	Unit	Price Per Unit				
Category 2								
Task # 1	10	\$10.00	20	\$11.00	\$110	\$430.00	\$400.00	-\$30.00
Task # 2	9	\$15.00	15	\$11.00	\$120	\$420.00	\$400.00	-\$20.00
Task # 3	8	\$20.00	10	\$13.00	\$100	\$390.00	\$400.00	\$10.00
Task # 4	7	\$25.00	12	\$14.00	\$115	\$458.00	\$400.00	-\$58.00
Task # 5	6	\$30.00	22	\$20.00	\$120	\$740.00	\$700.00	-\$40.00
TOTAL						\$2,438.00	\$2,300.00	

TASK	LABOR		MATERIALS		FIXED COST	BUDGET	ACTUAL	UNDER/OVER
	Hours	Rate	Unit	Price Per Unit				
Category 3								
Task # 1	5	\$30.00	10	\$10.00	\$100	\$350.00	\$300.00	-\$50.00
Task # 2	6	\$32.00	9	\$11.00	\$105	\$396.00	\$400.00	\$4.00
Task # 3	7	\$35.00	8	\$12.00	\$110	\$451.00	\$400.00	-\$51.00
Task # 4	8	\$38.00	7	\$14.00	\$115	\$517.00	\$500.00	-\$17.00
Task # 5	9	\$40.00	8	\$17.00	\$120	\$582.00	\$600.00	\$18.00
TOTAL						\$2,298.00	\$2,200.00	

Advantages of budgets

- Compels management to think about the future
- Provides a basis for performance appraisal
- Motivates employees by participating in the setting of budgets
- Improves the allocation of scarce resources
- Economises management time by using the management by exception principle



Advantages of budgets

- Provides a method of allocating and using resources within the organisation
- Helps to monitor and control operations
- Helps co-ordinate different departments and align them towards shared objectives
- Are an early warning system



Disadvantages of budgets

- Budgets can be seen as pressure devices imposed by management
- Waste may arise as managers adopt the view: "better spend it or we will lose it"
- Responsibility versus controlling
- Managers may overestimate costs so that they will not be blamed in the future should they overspend



Disadvantages of budgets

- Staff time devoted to budgets carries a real opportunity cost
- Errors and inaccuracies will always remain since it is impossible to predict the future
- Budgets involve and affect people, they may cause conflict







Cash Flow forecasts



Cash flow forecasts

Predict the net cash flows of a business over a future period of time

They estimate

- Cash inflows into the bank account
- Outflows out of the bank account

The cash flow forecasting represents a key aspect of financial management of a business

It helps plan its future in order to avoid a crisis of liquidity, which may lead to the business becoming insolvent.



Cash flow forecasts

Act as

- Guide for meeting goals and objectives
- Evaluative tool for assessing progress and profitability



Cash flow forecasts

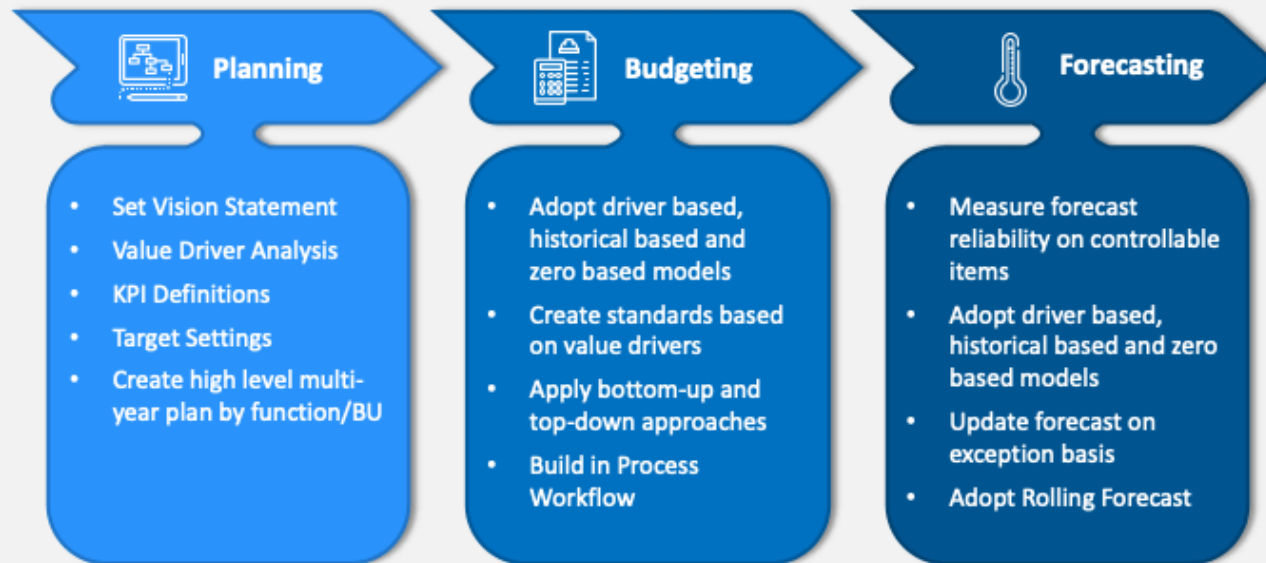
The cash flow statements are important for

- Identifying potential shortfalls in cash balances in advance - an "early warning system"
- Making sure that the business can afford to pay suppliers and employees
- Spotting problems with customer payments
- Financial planning - are similar to preparing business budgets
- The external stakeholders (such as banks – for a business loan)



PLANNING, BUDGETING & FORECASTING

Enter your sub headline here



Effective Planning, Budgeting & Forecasting

- Usually prepared around Quarter 4 for the following year
- 7 Key steps
 1. Start with Strategic Goals
 2. Determine the Methodology
 3. Build in Flexibility
 4. Make it a Collaborative Process
 5. Use Scenario Modelling
 6. Monitor -> Forecast -> Adjust
 7. Sharpen the Tools





Ideal Planning & Forecasting Methods

Group Presentations

Group 1

**EIH Associated Hotels
Limited**

Group 2

**Torrent Pharmaceuticals
Limited**

Group 3

**Ultramarine & Pigments
Limited**

Group 4

Astral Limited




Group Presentation

Identify the 5 -7 ratios to be used during the
Presentation





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A close-up photograph of a red pushpin stuck into a calendar grid. The calendar is slightly out of focus, showing numbers like 5, 6, 12, 13, 19, 20, 21, and 22. The pushpin is the central focus, pointing downwards.

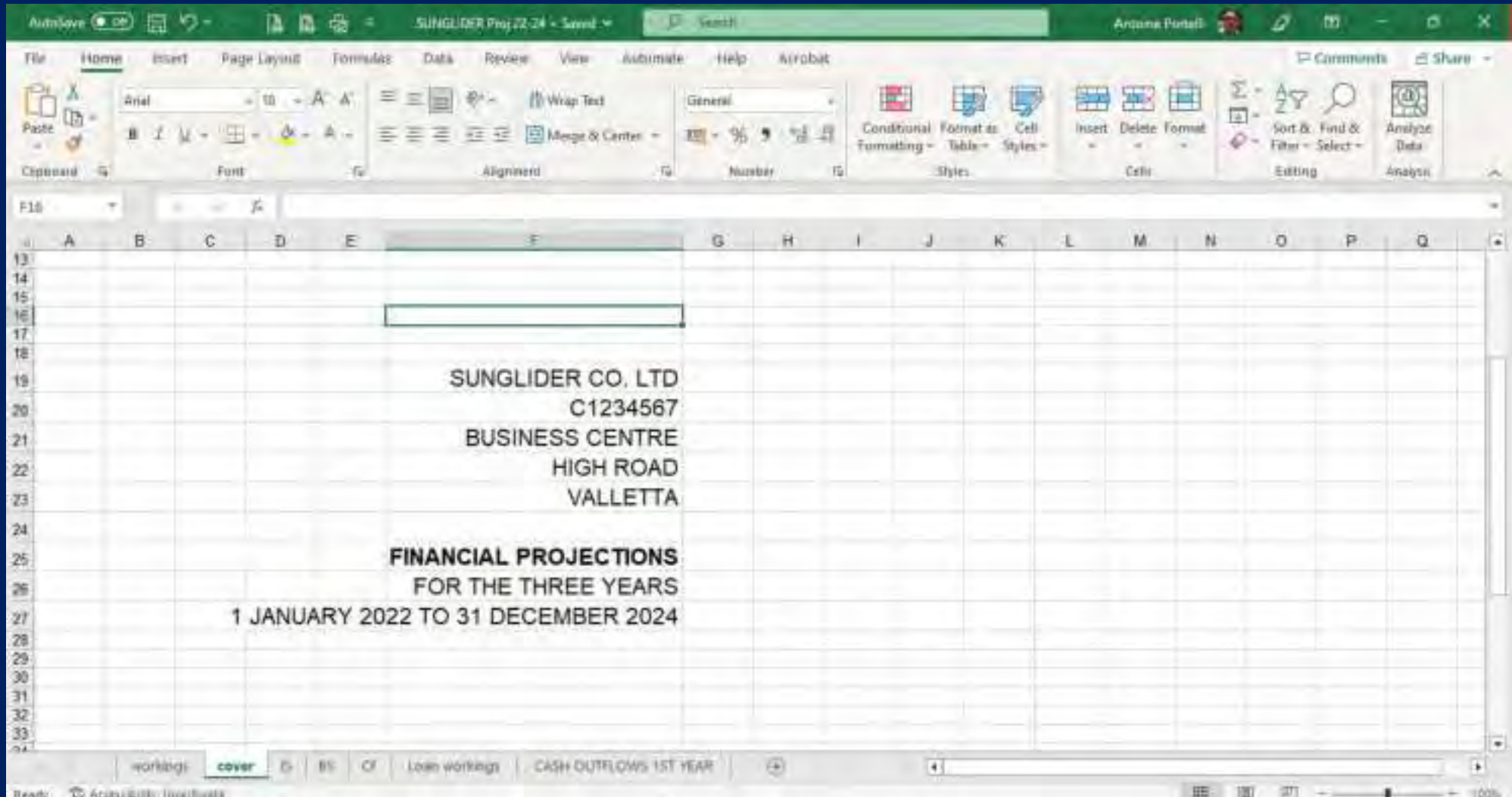
Practical 3-Year Budget

A Practical Example

			SUNGLIDER CO. LTD	
			C1234567	
			BUSINESS CENTRE	
			HIGH ROAD	
			VALLETTA	
			FINANCIAL PROJECTIONS	
			FOR THE THREE YEARS	
			1 JANUARY 2022 TO 31 DECEMBER 2024	



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WORKINGS				
		2022	2023	2024
REVENUE				
Sales of Equipment, Shelving & Materials		1,300,000	1,300,000	1,430,000
Annual % increase		0%	10%	10%
Total Sales of Equipment		1,300,000	1,430,000	1,573,000
Design Project		1,400,000	1,400,000	1,540,000
Annual % increase		0%	10%	15%
Total New Projects & installations		1,400,000	1,540,000	1,771,000
Servicing & Maintenance		800,000	800,000	880,000
Annual % increase		0%	10%	10%
Total Servicing & Maintenance		800,000	880,000	968,000
Total Sales		3,500,000	3,850,000	4,312,000
Office Space Rental Income		-	-	-



COST OF SALES				
Opening Stock		2,025,845	2,300,000	2,200,000
% Mark-Up on equipment		90%	90%	90%
Purchases of Equipment		1,379,418	1,115,789	1,137,368
Closing Stock		2,300,000	2,200,000	2,000,000
Other Direct Costs		135,000	140,000	150,000



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PAYROLL				
Managing Director				
Basic Pay		60,000	66,000	72,600
% annual increase		0%	10%	10%
Bonuses		512	512	512
Employer's NI		6,000	6,600	7,260
Total		66,512	73,112	80,372
Employees				
Basic Pay		1,400,000	1,484,000	1,573,040
% annual increase		0%	6%	6%
Overtime		-	-	-
Bonuses		17,424	17,424	17,424
Employer's NI		140,000	148,400	157,304
Total		1,557,424	1,649,824	1,747,768
Employees Additional				
Basic Pay		-	30,000	30,000
% annual increase		0%	0%	6%
Overtime		-	4,327	6,490
Bonuses		-	2,560	2,560
Employer's NI		-	3,000	3,000
Total		-	39,887	42,050
Employee Additional				
Basic Pay		-	-	20,000
% annual increase		0%	0%	0%
Overtime		-	-	4,327
Bonuses		-	-	1,024
Employer's NI		-	-	2,000
Total		-	-	27,351
Employee 4				
Basic Pay		-	-	-
% annual increase		0%	0%	0%
Overtime		-	-	-
Bonuses		-	-	-
Employer's NI		-	-	-
Total		-	-	-
Administration Officer				
Basic Pay		24,000	26,400	29,040
% annual increase		0%	10%	10%
Overtime		-	-	-
Bonuses		512	512	512
Employer's NI		2,400	2,640	2,904
Total		26,912	29,552	32,456
Payroll				
avg head cout		81	85	90
Average Annual Gross Salary per Employee		20,380.84	21,086.77	21,444.42



COSTS AND EXPENSES				
Motor Vehicle Costs				
Licences & Insurance		10,000	10,000	10,000
Fuel		16,000	18,400	21,160
Maintenance & Repairs		15,000	15,000	15,000
Total MV Costs		41,000	43,400	46,160
Advertising		60,000	66,000	72,600
Rent		50,000	50,000	50,000
Insurances		18,000	20,700	23,805
Water & Electricity		14,000	15,400	16,940
Travelling & hospitality		7,500	8,250	9,075



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Communications				
telephones		3,000	3,300	3,630
Mobile		3,000	3,300	3,630
Internet		2,000	2,200	2,420
Total Communications		8,000	8,800	9,680
Office Administration		20,000	23,000	26,450
Professional fees		30,000	33,000	36,300
Bank Interest		18,258	21,040	21,087



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FIXED ASSETS				
Motor Vehicles				
Cost		252,303	282,303	312,303
Additions		30,000	30,000	45,000
total		282,303	312,303	357,303
Depreciation				
Depn Rate		20%	20%	20%
Charge for Year		56,461	62,461	71,461
total		56,461	118,921	190,382
Net Book Value - Motor Vehicles		225,842	193,382	166,921
Land and Buildings				
Cost		3,563,714	3,563,714	3,563,714
Additions		-	-	-
total		3,563,714	3,563,714	3,563,714
Depreciation				
Depn Rate		2%	2%	2%
Charge for Year		71,274	71,274	71,274
total		71,274	142,549	213,823
Net Book Value - Land and Buildings		3,492,440	3,421,165	3,349,891
Total Depreciation		71,274	71,274	71,274
Furniture & Equipment				
Cost		218,378	238,378	238,378
Additions		20,000	-	-
total		238,378	238,378	238,378
Depreciation				
Depn Rate		20%	20%	20%
Charge for Year		47,676	47,676	47,676
total		47,676	95,351	143,027
Net Book Value - Furniture & Equipment		190,702	143,027	95,351
Total Depreciation		175,410	181,410	190,410



RECEIVABLES				
Opening Balance		164,654	536,900	681,450
Sales during Year (incl of VAT)		4,130,000	4,543,000	5,088,160
Closing % of Receivables		13%	15%	20%
Closing Balance		536,900	681,450	1,017,632
Received during the year		3,593,100	4,398,450	4,751,978
PAYABLES				
Opening Balance		1,936,509	536,104	444,549
Purchases and Expenses during the Year		1,787,013	1,481,832	1,519,095
Closing % of Payables		30%	30%	15%
Closing Balance		536,104	444,549	227,864
Paid during the Year		1,250,909	1,573,386	1,735,780

BANK LOAN				
Principal Amount		1,651,153	-	
Interest rate		4.50%	4.50%	
repayment (years)		20	15	
repayment (months)		240	180	
loan payments		164,148	173,424	173,424
loan interest charged		73,236	70,841	68,337
loan balance at end of year		1,560,241	1,457,658	1,352,571



Bank Loan no1				
Principal Amount	1651153			
Interest rate	4.50%			
repayment (years)	20			
repayment (months)	240			
Loan Value		1,651,153		
interest charge	4.50%			
months of loan	240			
repayment per year		126,934	126,934	126,934
interest due per year		73,236	70,841	68,337
		6,192	5,996	5,792
		6,176	5,980	5,775
		6,160	5,963	5,757
		6,144	5,946	5,739
		6,128	5,929	5,722
		6,111	5,912	5,704
		6,095	5,895	5,686
		6,079	5,878	5,668
		6,063	5,861	5,651
		6,046	5,844	5,633
		6,030	5,827	5,614
		6,013	5,809	5,596
Loan Balance at end of year		1,597,454	1,541,362	1,482,765



CASH FLOWS				
Inflows				
Receivables		3,593,100	4,398,450	4,751,978
Shareholders Contributions		-	-	-
Bank Loan		-	-	-
Total inflows		3,593,100	4,398,450	4,751,978
Outflows				
Payables		1,250,909	1,573,386	1,735,780
Payroll		1,650,848	1,792,375	1,929,997
Expenses & Costs		248,500	286,808	312,050
VAT Net Payments		357,405	466,958	544,434
Taxation		30,000	32,720	55,998
Loan Repayments		164,148	173,424	173,424
Fixed Asset purchases		50,000	30,000	45,000
Total Outflows		3,751,810	4,355,671	4,796,683
Movement in Year		- 158,710	42,779	- 44,705
Opening Balance		- 301,021	- 459,731	- 416,952
Closing Balance		- 459,731	- 416,952	- 461,657
Bank interest on OD	4.80%	18,258	21,040	21,087



SUNGLIDER CO. LTD				
C1234567				
BUSINESS CENTRE				
HIGH ROAD				
VALLETTA				
FINANCIAL PROJECTIONS				
FOR THE THREE YEARS				
1 JANUARY 2022 TO 31 DECEMBER 2024				
STATEMENT OF INCOME				
		2022	2023	2024
		€	€	€
Revenue				
Sales of Equipment, Shelving & Materials		1,300,000	1,430,000	1,573,000
Design Project		1,400,000	1,540,000	1,771,000
Servicing & Maintenance		800,000	880,000	968,000
Total Revenue		3,500,000	3,850,000	4,312,000
Cost of Sales				
Purchases of Equipment		1,379,418	1,115,789	1,137,368
Movement in Stock	-	274,155	100,000	200,000
Other Direct Costs		135,000	140,000	150,000
Total Cost of Sales		1,240,263	1,355,789	1,487,368
Gross Profit		2,259,737	2,494,211	2,824,632
Gross Profit Margin		65%	65%	66%
Costs and Expenses				
Payroll		1,650,848	1,792,375	1,929,997
Motor Vehicle Costs		41,000	43,400	46,160
Advertising		60,000	66,000	72,600
Rent		50,000	50,000	50,000
Insurances		18,000	20,700	23,805
Water & Electricity		14,000	15,400	16,940
Travelling & hospitality		7,500	8,250	9,075
Communications		8,000	8,800	9,680
Office Administration		20,000	23,000	26,450
Professional fees		30,000	33,000	36,300
Bank Interest		91,494	91,882	89,424
Depreciation		175,410	181,410	190,410
		2,166,252	2,334,217	2,500,842
Profit on Operations before Tax		93,484	159,993	323,790
Net Profit Margin		3%	4%	8%
Corporate Tax		32,720	55,998	113,326
Net Profit after Tax		60,765	103,996	210,463



SUNGLIDER CO. LTD				
C1234567				
BUSINESS CENTRE				
HIGH ROAD				
VALLETTA				
FINANCIAL PROJECTIONS				
FOR THE THREE YEARS				
1 JANUARY 2022 TO 31 DECEMBER 2024				
STATEMENT OF FINANCIAL POSITION				
		2022	2023	2024
		€	€	€
FIXED ASSETS				
Cost		4,084,395	4,114,395	4,159,395
Depreciation		556,282	737,693	928,103
Net Book Value		3,528,113	3,376,702	3,231,292
CURRENT ASSETS				
Stock		2,300,000	2,200,000	2,000,000
Receivables		536,900	681,450	1,017,632
		2,836,900	2,881,450	3,017,632
TOTAL ASSETS		6,365,013	6,258,152	6,248,924
EQUITY				
Share Capital		300,000	300,000	300,000
Shareholders' Funds		332,916	332,916	332,916
Retained Earnings		1,035,173	1,139,168	1,349,632
		1,668,089	1,772,084	1,982,548
LIABILITIES				
Creditors & Payables		1,391,500	1,299,945	1,083,260
Related Parties Balances		973,054	973,054	973,054
Accruals & Taxation		312,398	338,458	395,833
Bank Loan		1,560,241	1,457,658	1,352,571
Bank dues (Overdraft)		459,732	416,952	461,657
		4,696,924	4,486,067	4,266,375
TOTAL EQUITY & LIABILITIES		6,365,013	6,258,152	6,248,923



SUNGLIDER CO. LTD				
C1234567				
BUSINESS CENTRE				
HIGH ROAD				
VALLETTA				
ANALYSIS OF TOTAL LIABILITIES				
FOR THE THREE YEARS TO END 31 DECEMBER 2024				
LIABILITIES	2022	2023	2024	
	€	€	€	
Creditors & Payables	1,391,500	1,299,945	1,083,260	
Related Parties Balances	973,054	973,054	973,054	
Accruals & Taxation	312,398	338,458	395,833	
Bank Loan	1,560,241	1,457,658	1,352,571	
Bank dues (Overdraft)	459,732	416,952	461,657	
	4,696,924	4,486,067	4,266,375	
CURRENT				
Creditors & Payables	1,391,500	1,299,945	1,083,260	
Accruals & Taxation	312,398	338,458	395,833	
Bank Loan	164,148	173,424	173,424	
Bank dues (Overdraft)	459,732	416,952	461,657	
	2,327,778	2,228,779	2,114,174	
NON-CURRENT				
Related Parties Balances	973,054	973,054	973,054	
Bank Loan	1,396,093	1,284,234	1,179,147	
	2,369,147	2,257,288	2,152,201	



SUNGLIDER CO. LTD				
C1234567				
BUSINESS CENTRE				
HIGH ROAD				
VALLETTA				
FINANCIAL PROJECTIONS				
FOR THE THREE YEARS				
1 JANUARY 2022 TO 31 DECEMBER 2024				
STATEMENT OF CASHFLOWS				
		2022	2023	2024
		€	€	€
Inflows				
Receivables		3,593,100	4,398,450	4,751,978
Total inflows		3,593,100	4,398,450	4,751,978
Outflows				
Payables		1,250,909	1,573,386	1,735,780
Payroll		1,650,848	1,792,375	1,929,997
Expenses & Costs		248,500	286,808	312,050
Net VAT Payments		357,405	466,958	544,434
Taxation		30,000	32,720	55,998
Loan Repayments		164,148	173,424	173,424
Fixed Asset purchases		50,000	30,000	45,000
Total Outflows		3,751,810	4,355,671	4,796,683
Movement in Year		- 158,710	42,779	- 44,705
Opening Balance		- 301,021	- 459,731	- 416,952
Closing Balance		- 459,731	- 416,952	- 461,657



Undergraduate Diploma in Business Administration

SUNGLIDER CO. LTD													
C1234567													
BUSINESS CENTRE													
HIGH ROAD													
VALLETTA													
FINANCIAL PROJECTIONS													
FOR THE YEAR													
1 JANUARY TO 31 DECEMBER 2022													
STATEMENT OF CASHFLOWS - MONTHLY													
	2022	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
	€	€	€	€	€	€	€	€	€	€	€	€	€
Inflows													
Receivables	3,593,100	184,000	187,260	350,000	250,000	350,000	250,000	275,000	325,000	300,000	350,000	400,000	371,840
Total inflows	3,593,100	184,000	187,260	350,000	250,000	350,000	250,000	275,000	325,000	300,000	350,000	400,000	371,840
Outflows													
Payables	1,250,909	152,447	64,500	135,000	75,000	85,000	100,000	90,000	75,000	90,000	150,000	115,000	118,962
Payroll	1,650,848	115,000	120,000	125,000	130,000	130,000	150,000	140,000	140,848	160,000	140,000	140,000	160,000
Expenses & Costs	248,500	22,000	23,000	23,000	20,000	18,000	20,000	20,000	18,000	15,000	15,000	25,500	29,000
Net VAT Payments	357,405	-	65,000	-	-	80,000	-	-	70,000	-	-	142,405	-
Taxation	30,000	-	-	-	10,000	-	-	-	10,000	-	-	-	10,000
Loan Repayments	164,148	13,679	13,679	13,679	13,679	13,679	13,679	13,679	13,679	13,679	13,679	13,679	13,679
Fixed Asset purchases	50,000	-	-	35,000	-	-	-	-	-	15,000	-	-	-
Total Outflows	3,751,810	303,126	286,179	331,679	248,679	326,679	283,679	263,679	327,527	293,679	318,679	436,584	331,641
Movement in Year	- 158,710	- 119,126	- 98,919	18,321	1,321	23,321	- 33,679	11,321	- 2,527	6,321	31,321	- 36,584	40,199
Opening Balance	- 301,021	- 301,021	- 420,147	- 519,066	- 500,745	- 499,424	- 476,103	- 509,782	- 498,461	- 500,988	- 494,667	- 463,346	- 499,930
Closing Balance	- 459,731	- 420,147	- 519,066	- 500,745	- 499,424	- 476,103	- 509,782	- 498,461	- 500,988	- 494,667	- 463,346	- 499,930	- 459,731

Refresher: - Ratios





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Business Administration**