Manage the Finance

Handout 6

Projected Balance Sheet

CIN: 32900 Version: 001 Date: 2021/07/06

Projected Balance Sheet

An example of a simple projected Balance Sheet is shown below:

	Assets	Start	Jan	Feb	March	Apr	May	Jun
	RANDS							
	Current Assets							
	Cash Balance	55	15	21	7	15	93	53
	Accounts Receivable	395	371	474	576	644	803	791
	Inventory	251	332	444	545	701	878	647
	Other Current Assets	25	25	25	25	25	25	25
	Subtotal	***726***	***743***	***964***	***1153***	***1385***	***1799***	***1516***
	Capital Assets	350	375	375	390	390	440	440
	Accumulated Depreciation	50	51	52	53	54	55	56
	Subtotal	300	324	323	337	336	385	384
	TOTAL ASSETS	**1026**	**1067**	**1287**	**1490**	**1721**	**2184**	**1900**
	Liabilities	**Start**	**Jan**	**Feb**	**March**	**Apr**	**May**	**Jun**
	Current liabilities							
	Accounts payable	224	268	371	431	564	704	517
	Current Notes	90	90	190	220	320	320	220
	Other Current Liabilities	15	15	15	15	15	15	15
	Subtotal	***329***	***373***	***576***	***666***	***899***	***1039***	***752***
	Long term liabilities	285	282	279	376	373	370	367
	Total Liabilities	***614***	***615***	***855***	***1012***	***1272***	***1409***	***1119***
	Capital	**Start**	**Jan**	**Feb**	**March**	**Apr**	**May**	**Jun**
	Paid-in Capital	500	500	525	525	525	825	825

	Retained Earnings	(163)	(88)	(88)	(88)	(88)	(88)	(88)
	Earnings	75	0	5	11	12	38	44
	Total Capital	412	412	432	448	449	775	781
	CAPITAL AND LIABILITIES	**1026**	**1067**	**1287**	**1490**	**1721**	**2184**	**1900**

Source: Adapted from Balance Sheet Example. www.bplans.com/common/gifs/bplans/ IL15-7. Accessed on 19/08/09

Projecting a Balance Sheet requires a little bit more insight than the projection of the Income Statement. The following are some important points to remember for a Balance Sheet Projection:

Fixed assets in the Balance Sheet projections forms part of projecting your capital spending.

1. Inventory projections will stem from the sales forecasts, as well as some analysis of production or delivery schedules in relation to your forecasted sales. Inventory projections should also take into account buffer stocks in case there are unexpected changes in demand.

2. The retained earnings entries will change by the amount of net profit in any one period.

3. Accounts payable can be projected as follows:

Accounts payable can be projected as ratios. For example, if you receive an average of the same deliveries each month and your suppliers give you credit of 30 days and you make one payment per month, projected payables will average one-half of one month's spending on supplies.

Accounts payable is not a change figure, but an actual figure.

Accounts receivable can be projected in a similar manner to accounts payable. Accounts receivable is also not a change figure, but an actual figure.

Projecting cash, loans and share capital will depend on your cash flow and financing policies. The following section will cover information on financing policies.

Remember that your two halves of the balance sheet in your projections must balance. If they do not balance you need to revisit your figures.