

Task IM-10.25: Liquidity Planning

An investor considers establishing a business that produces fishfingers. The business concept is to buy fish, put breadcrumbs thereon, and to fill it into plastic containers. The company ROTHERSHAUSEN AG is to be based on 50,000 shares 5.00 EUR of face value.

For financing ROTHERSHAUSEN AG takes a bank loan of 100,000.00 EUR which comes with a 3.5 % rate of interest. ROTHERSHAUSEN AG has to pay off the bank loan after 10 years. No pay off during the first years is required.

The product is a 500g fishfingers package. The annual amount of packages to be sold is 60,000 during 20X1 and 20X2. In 20X3 the amount is to be increased by 10 %. A package of fish fingers is sold at 5.00 EUR/u.

For production ROTHERSHAUSEN plans to acquire machinery for 180,000.00 EUR on cash. Annual depreciation will be 3,600.00 EUR. The production facilities allow an increase of the production amount in 20X3.

Labour in the fishfingers' kitchen will be 15,000.00 EUR per 20,000 packages produced. Labour is a step fixed cost and can only be increased or decreased by steps of 15,000.00 EUR.

The cost of fish will be 4.00/kg. ROTHERSHAUSEN plans to keep an amount of 3,000 kg of fish on stock at any time. The fish dealer will be paid half on cash and the other half in the next accounting period. The cost for the plastic containers is 0.10 EUR/u. The containers are ordered at 1,000 unit batches and paid on cash.

For marketing and management accounting ROTHERSHAUSEN plans an amount of 50,000.00 EUR/annum.

Required: Prepare a budgeted income statement for the periods 20X1 ... 20X3, a budgeted balance sheet as at 31.12.20X3, and a liquidity plan for the periods 20X1 ... 20X3. Ignore VAT. There is no appropriation of profits planned. Income taxes are to be paid in the next accounting period.

Solution:

P&L	/u	20X1	20X2	20X3
<i>packages sold</i>	5.00	60,000	60,000	66,000
Revenue		300,000.00	300,000.00	330,000.00
materials required [kg]	4.00	30,000	30,000	33,000
Materials (fish)		120,000.00	120,000.00	132,000.00
Materials (containers)	0.10	6,000.00	6,000.00	6,600.00
Labour	15,000.00	45,000.00	45,000.00	60,000.00
Depreciation		3,600.00	3,600.00	3,600.00
Interest bank loan		3,500.00	3,500.00	3,500.00
Management		50,000.00	50,000.00	50,000.00
Profit Before Taxes		71,900.00	71,900.00	74,300.00
Less 30% income tax		(21,570.00)	(21,570.00)	(22,290.00)
Annual Surplus		50,330.00	50,330.00	52,010.00

Production and Purchase Plan	/u	20X1	20X2	20X3
<i>packages sold</i>		60,000	60,000	66,000
<i>materials required [kg]</i>	4.00	30,000	30,000	33,000
<i>closing stock [kg]</i>		3,000	3,000	3,000
<i>opening amount</i>		0	3,000	3,000
<i>Materials purchased [kg]</i>	4.00	33,000	30,000	33,000
<i>Containers required [units]</i>	0.10	60,000	60,000	66,000
Purchases Fish		132,000.00	120,000.00	132,000.00
Purchases Containers		6,000.00	6,000.00	6,600.00

Liquidity Plan	/u	20X1	20X2	20X3
Opening Amoung		0.00	299,500.00	347,430.00
Share issue		250,000.00		
Bank loan taken		100,000.00		
Revenue		300,000.00	300,000.00	330,000.00
Materials paid		66,000.00	66,000.00	60,000.00
			60,000.00	66,000.00 !!!
Containers paid		6,000.00	6,000.00	6,600.00
Labour		45,000.00	45,000.00	60,000.00
Acquisition		180,000.00	0.00	0.00
Interest bank loan		3,500.00	3,500.00	3,500.00
Management		50,000.00	50,000.00	50,000.00
Tax		0.00	21,570.00	21,570.00 !!!
		299,500.00	347,430.00	409,760.00

Exhibit 1: ROTHERSHAUSEN AG's liquidity plan as part of the business plan

See the statement of financial position after 3 years:

**Rothershausen AG's
STATEMENT of FINANCIAL POSITION**

A		as at 31.12.20X3		C, L	
<i>Non-current assets</i>	[EUR]		<i>Owners' capital</i>	[EUR]	
P, P, E	169,200.00		Share capital	250,000.00	
Intangibles			Reserves		
Financial assets			R/E	152,670.00	
<i>Current assets</i>			<i>Liabilities</i>		
Inventory	12,000.00		Interest bear liab	100,000.00	
A/R			A/P	66,000.00	
Prepaid expenses			Provisions		
Cash/Bank	409,760.00		Tax liabilities	22,290.00	
		590,960.00			590,960.00

Exhibit 2: ROTHERSHAUSEN AG's statement of financial position

**Rothershausen Ltd.'s
STATEMENT of COMPREHENSIVE INCOME
for the year ended 31.12.20X0**

	20X1	20X2	20X3
Revenue	300,000.00	300,000.00	330,000.00
Other income			
	300,000.00	300,000.00	330,000.00
Materials	126,000.00	126,000.00	138,600.00
Labour	45,000.00	45,000.00	60,000.00
Depreciation	3,600.00	3,600.00	3,600.00
Other expenses	50,000.00	50,000.00	50,000.00
Earnings before int and taxes (EBIT)	75,400.00	75,400.00	77,800.00
Interest	3,500.00	3,500.00	3,500.00
Earnings before taxes (EBT)	71,900.00	71,900.00	74,300.00
Income tax expenses	21,570.00	21,570.00	22,290.00
Deferred taxes			
Earnings after taxes (EAT)	50,330.00	50,330.00	52,010.00

Exhibit 3: ROTHERSHAUSEN AG's statement of comprehensive income