Target/Budget Financial Statements and Sales for Bankrupcty Situation

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Abstract: Once we introduce a new capital by internal or external reconstruction and Merger & Acquisition, the unrecoverable debt is recorded in the books of account beyond the non-current assets' value, so we need to recover it by keeping a cash reserve from PAT after dividend. We should set a growth rate on each year sales turnover or revenue to keep a minimum cash reserve to repay the debt. Here we are drafting formulas, theory, and a projected income statement & Deviation Analysis between actual and projected income statement. We should address the deviation with proper reason so every year without fail we can keep a cash reserve balance. At regular interval, we should repay the debt by the cash reserve.

Keywords: Target/Budget Sales

KEYWORDS AND DEFINITIONS

1. Debts:
The unrecoverable debts are addressed here on bankrupt stage. Each year the debt is repaid, and it is re-calculated at each year end.

2. Revalued Non-Current Assets:
All Non-Current Assets, which are saleable, are revalued at each year end for our assessment.
purpose.

3. Total Overcome Years:
The number of years that the irrecoverable debts can be overcome out of danger of bankrupt. At end year of Total Overcome Years, the debt equals the available revalued non-current assets which saleable.

4. The Remaining Overcome Years:
Once we start doing this process, the years will pass on starting from first to last year of total overcome years so the remaining year within the total overcome years is known as Remaining Overcome Years. Total overcome years are defined in definition – 3. At first year, the total overcome years are the remaining overcome years but at on-going years, the years will get reduced in the remaining overcome years from the second year of total overcome year.
At every year end, Debts are recalculated after considering the repayment and it is reduced from the Revalued Non-Current Assets, which are saleable. The balance after revalued assets are known as Debt Coverable.

5. Minimum Cash Reserve:
The debt coverage is divided by the remaining overcome years and residual value is known as Minimum Cash Reserve. At Every year end, this amount of part should be set aside from the PAT after dividend value.
Minimum Cash Reserve = Debt Coverage/Total Overcome Year

6. Reserve Percentage:
The percentage of reserve applied on the PAT after dividend of every year or projected PAT after dividend of every year.

7. Actual Cash Reserve:
We should keep a cash reserve the whole amount after the Dividend payment from PAT. Generally, Actual Cash Reserve = (PAT – Dividend) * Reserve Percentage or Set aside amount from Amount of PAT after deducting Dividend based on situation of business.

8. **Actual Sales**:
The Sale at year end of current year is known as actual sales. At every year, we must do this Bankrupt overcome accounting at each year end.

9. Actual Return:
The Return is the PAT after deducting the dividend of current year at year end.

10. Actual Rate:
The rate is found a percentage of PAT after dividend on actual sales at year end of current year.
Actual Rate or OAR = ((PAT – Dividend)/Actual Sales) *100

11. The Last Year Sales:
The sales at last year are known as last year sales. The last year is previous year to current year.

12. The Total Cash Reserve:
The total amount of Cash reserve which is set aside from PAT after dividend is known as Total Cash Reserve.

13. Expected Cash Reserve:
The Debt Coverage is reduced by total cash reserve, and it is divided by the remaining overcome years and then the residual value is known as expected cash reserve.
Expected Cash Reserve = (Debt Coverage – Total Cash Reserve)/The Remaining Overcome Years.

14. Expected Sales:
The expected cash reserve is divided by actual rate and the residual value is known as Expected Sales.
Expected Sales = (Expected Cash Reserve)/Actual Rate

15. Actual Growth Rate:
The percentage of increase or decrease percentage in sale comparing to last year is known as Actual Growth Rate.
Actual Growth Rate = (Actual Sales – Last Year Sales)/ Last Year Sales * 100

16. **Expected Growth Rate:**
The Growth rate is the increase or decrease percentage in sales comparing the current year sales and expected to sales.
Expected Growth Rate = (Expected Sales – Actual Sales)/Actual Sales * 100

17. Income Statement:
The Income statement is used to find the Gross Profit, EBIT, PAT, PAT after Dividend. It is a statement which is specific to business.

18. Projected Income Statement
The Projected Income Statement is prepared by applying the Growth rate to revenue and by applying Rate of expenses and COGs to Actual Sales at current year to projected Year or Future Year. Depreciation is projected by schedule on Asset. Interest is projected by schedule on Loan. Dividend is projected by applying the rate of dividend on PAT at current year to PAT of projected Income Statement.

19. Capital introduced/Restructuring:
An amount of capital is brought in by a capital restructuring to overcome the current situation n Bankrupt and to compromise the lenders.

20. **Variance Statement**
The Actual Income Statement at each year is compared with projected income statement with variance amount and percentage by the Variance Statement

STEPS OF FORENSIC ACCOUNTING TO OVERCOME THE BANKRUPT

1. RESTRUCTURING CAPITAL

We must restructure the capital by acquisition or internal or external restructure of capital. The amount of Capital. The capital restructure is a major part, and it is done by many companies with an advice of Forensic auditors. We should do the accounting for Internal, External Restructuring or Merger & Acquisition based on capital introduction policy decided by forensic Auditors and accountants. Once Capital is introduced, we must recover the unrecoverable debt after revalued assets by a Cash reserve from profit and we should decide the growth rate of sales by considering the Cash Reserve. Below steps will show how to keep a cash reserve.

2. DRAFTING THE EXPECTED GROWTH RATE BY MAKING DEBT COVERAGE AS PAT – UNDER PROFIT SITUATION WITHOUT GROWTH IN SALES & PROFIT

1. THEORY:
The expected growth rate is found by some steps and formulae. We must consider the debt, Debt coverage, Actual Rate and total cash Reserve balance at every year while performing this accounting.
The expected growth rate on sale plays key role to overcome the bankrupt by rapid increase in the business after introducing a new capital or restructured capital into business. We should do a reverse engineering while the growth rate in sales is not achieved in any years within the total overcome years. Based on the performance of the business, the growth rate may be getting reduced to overcome the bankrupt. **Growth rate is recalculated every year based on actual values of income statement of the years.**

2. FORMULAE:

1. Debts:

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The unrecoverable debts are addressed here on bankrupt stage. Each year the debt is repaid, and it is re-calculated at each year end.

2. Revalued Non-Current Assets:

All Non-Current Assets, which are saleable, are revalued at each year end for our assessment.
purpose.

3. Total Overcome Years:

The number of years that the irrecoverable debts can be overcome out of danger of bankrupt. At end year of Total Overcome Years, the debt equals the available revalued non-current assets which saleable.

4. The Remaining Overcome Years:

Once we start doing this process, the years will pass on starting from first to last year of total overcome years so the remaining year within the total overcome years is known as Remaining Overcome Years. Total overcome years are defined in definition – 3. At first year, the total overcome years are the remaining overcome years but at on-going years, the years will get reduced in the remaining overcome years from the second year of total overcome year.

5. Debt Coverage:

- Debts at every year end – Revalued Non-Current Assets at every year-end = Debt Coverage

6. Actual Rate:

- Actual Rate or OAR = ((PAT – Dividend)/Actual Sales) *100(Current year actual)-

7. Expected Cash Reserve:

- (Debt Coverage at every Year End – Existing Cash Reserve) / The Remaining Overcome Year = Expected Cash Reserve

8. Cash Reserve Rate:

- The reserve fixed to set aside the cash reserve from profit is Cash Reserve Rate

9. Expected Sales:

- Expected Cash Reserve/Cash Reserve Rate * Actual Rate = Expected Sales

10. Expected Growth Rate:

- ((Expected Cash Reserve/Cash Reserve Rate * Actual Rate) – Actual Sales)/Actual Sales * 100

If expected growth rate is more than zero, we should consider the Rate otherwise we should keep current sales itself. If the percentage goes to zero or below zero, keep the current year sales as projected sales.

3. DRAFTING THE EXPECTED GROWTH RATE BY GROWTH BY PERCENTAGE OF PAT AFTER DIVIDEND – IN PROFIT SITUATION WITH GROWTH IN PROFIT (COST CUTTING) WIHTOUT GROWTH IN SALES

1. THEORY:

The expected growth rate is found by some steps and formulae. We must consider the debt, Debt coverage, Actual Rate and total cash Reserve balance at every year while performing this accounting.

The expected growth rate on sale plays key role to overcome the bankrupt by rapid increase in the business after introducing a new capital or restructured capital into business. We should do a reverse engineering while the growth rate in sales is not achieved in any years within the total overcome years. Based on the performance of the business, the growth rate may be getting reduced to overcome the bankrupt. Growth rate is recalculated every year based on actual values of income statement of the years.

2. FORMULAE:

11. Debts:

The unrecoverable debts are addressed here on bankrupt stage. Each year the debt is repaid, and it is re-calculated at each year end.

12. Revalued Non-Current Assets:

All Non-Current Assets, which are saleable, are revalued at each year end for our assessment.
purpose.

13. Total Overcome Years:

The number of years that the irrecoverable debts can be overcome out of danger of bankrupt. At end year of Total Overcome Years, the debt equals the available revalued non-current assets which saleable.

14. The Remaining Overcome Years:

Once we start doing this process, the years will pass on starting from first to last year of total overcome years so the remaining year within the total overcome years is known as Remaining Overcome Years. Total overcome years are defined in definition – 3. At first year, the total overcome years are the remaining overcome years but at on-going years, the years will get reduced in the remaining overcome years from the second year of total overcome year.

15. Debt Coverage:

- Debts at every year end – Revalued Non-Current Assets at every year-end = Debt Coverage

16. Actual Rate:

- Actual Rate or OAR = ((PAT – Dividend)/Actual Sales) *100(Current year actual)-

17. Expected Cash Reserve:

- (Debt Coverage at every Year End – Existing Cash Reserve) / The Remaining Overcome Year = Expected Cash Reserve

18. Cash Reserve Rate:

- The reserve fixed to set aside the cash reserve from profit is Cash Reserve Percentage

19. PAT Growth Percentage

- **(PAT after Dividend at current year – PAT after Dividend at last year)/PAT after Dividend at last year * 100**

20. Projected PAT:

- **If Expected Cash Reserve/PAT after Dividend is more than 1, follow below formula.**
- **(((Expected Cash Reserve/PAT after Dividend) *PAT Growth Percentage + 100%) * PAT after Dividend Current year)/ Cash Reserve Percentage**
- **If Expected Cash Reserve/PAT after Dividend is equal or less than 1, follow below formula.**
- **PAT after Dividend at Current year is same as Projected PAT**

21. PAT to Sales Percentage Actual:

- **PAT after Dividend at Current Year/Sales at Current Year * 100**

22. Expected Growth Rate (Sales Growth Rate):

- **((Projected PAT/PAT to Sales Percentage Actual) – Actual Sales)/Actual Sales * 100**

If expected growth rate is more than zero, we should consider the Rate otherwise we should keep current sales itself. If the percentage goes to zero or below zero, keep the current year sales as projected sales.

4. DRAFTING THE EXPECTED GROWTH RATE BY GROWTH IN SALES UNDER PROFIT

1. **THEORY:**

The expected growth rate is found by some steps and formulae. We must consider the debt, Debt coverage, Actual Rate and total cash Reserve balance at every year while performing this accounting.

The expected growth rate on sale plays key role to overcome the bankrupt by rapid increase in the business after introducing a new capital or restructured capital into business. We should do a reverse engineering while the growth rate in sales is not achieved in any years within the total overcome years. Based on the performance of the business, the growth rate may be getting reduced to overcome the bankrupt. **Growth rate is recalculated every year based on actual values of income statement of the years.**

2. FORMULAE:

23. Debts:

The unrecoverable debts are addressed here on bankrupt stage. Each year the debt is repaid, and it is re-calculated at each year end.

24. Revalued Non-Current Assets:

All Non-Current Assets, which are saleable, are revalued at each year end for our assessment.
purpose.

25. Total Overcome Years:

The number of years that the irrecoverable debts can be overcome out of danger of bankrupt. At end year of Total Overcome Years, the debt equals the available revalued non-current assets which saleable.

26. The Remaining Overcome Years:

Once we start doing this process, the years will pass on starting from first to last year of total overcome years so the remaining year within the total overcome years is known as Remaining Overcome Years. Total overcome years are defined in definition – 3. At first year, the total overcome years are the remaining overcome years but at on-going years, the years will get reduced in the remaining overcome years from the second year of total overcome year.

27. PAT to Sales Percentage:

The percentage of PAT on Sales is known as PAT to Sales Percentage.
(PAT after dividend/Sales) * 100

28. Debt Coverage:

- Debts at every year end – Revalued Non-Current Assets at every year-end = Debt Coverage

29. Actual Rate:

- Actual sales (at current year)- Last year Sales/Last Year Sales*100 = Actual Rate

30. Expected Cash Reserve:

- (Debt Coverage at every Year End – Existing Cash Reserve) / The Remaining Overcome Year = Expected Cash Reserve

31. Projected Sales:

Projected Sales1=Expected Cash reserve/ (Reserve Percentage * PAT to Sales Percentage)
Projected Sales2 = (Actual *(100+Sales growth rate) %))

1. Projected Sales2/Projected Sales1 is above or equal 1.

Projected Sales = Actual sales * (100+Sales growth rate) %

2. Projected Sales2/Projected Sales1 is below 1.

Projected Sales = Expected Cash reserve/ (Reserve Percentage * PAT to Sales Percentage)

32. Expected Growth Rate:

(Projected Sales - Actual Sales)/Actual Sales*100

If expected growth rate is more than zero, we should consider the Rate otherwise we should keep current sales itself. If the percentage goes to zero or below zero, keep the current year sales as projected sales.

5. DRAFTING THE EXPECTED PBT – IN LOSS SITUATION

1. THEORY:

When business register a loss in current year, we must go with a bottom-up draft statement. We should prepare a projected income statement. Loss is replaced with the debt coverage at year end for the projection and the cost are projected by a ratio of Loss to Expenses and the Sales is projected by summing all Cost and reducing it from loss.

2. FORMULAE:

1. Cash Reserve Percentage:

We must decide the percentage of cash reserve from PAT.

2. Projected PBT:

When there is a loss, the Debt coverage at year end is divided by Cash Reserve Percentage and multiplied by 100+Cash Reserve Percentage.

Projected PBT = ((Debt Coverage at year end – Total Cash Reserve /Remaining outcome years)/Cash Reserve Percentage)

3. Projected Cost/Expense:

Projected Cost/Expense = (Cost or Expense/Actual PBT) * Projected PBT

4. Projected Sales:

Projected PBT+ Projected Cost or Expense

5. Expected Growth Rate:

(Projected Sales – Actual Sales)/Actual Sales * 100

6. DECIDING THE GROWTH RATE METHOD

There are four methods to prepare the projected income statement and we can make decision which can be used by following below logic.

1. If the business is having a rate of growth in Sales along with profit, we can choose Growth Rate by Growth in Sales.
2. If the business is having a rate of growth in Profit without growth in sales, we can choose Growth Rate by Growth in PAT.
3. If the business is having profit without growth in sales and profit, we can choose Growth Rate by making debt coverage as PBT.
4. If the business is under loss, we must follow the expected PBT – IN LOSS situation.

7. INVESTING THE CASH RESERVE IN ASSETS & SECURITIES

A percentage is decided to set aside the cash reserve from PAT after Dividend based on Management Decision.

The Cash reserve taken away from the PAT is invested in an asset and security of a portfolio. The investment value will go up by the cash reserve every-year. The Market Value of Investment will help to overcome the Bankrupt.

8. DRAFTING THE PROJECTED INCOME STATEMENT: FORMAT

1. LOGIC OF PROJECTION OF INCOME STATEMENT: IN PROFIT SITUATION

Projection is drafted every year end within the total overcome years starting from first year to last year.
The Income statement has major sections generally, but it is specific to business. The sections are 1. Sales 2. COGS 3. Operating & Administration Expenses 4. Selling, Marketing & Distribution Expenses 5. Depreciation Expenses 6. EBIT 7. Interest 8. PAT 9. Dividend 10. PAT after dividend

Projection Logic.

1. Actual Sales, COGS, Admin, Gen, Operating, Marketing, Selling, distribution expenses are expenses and revenue of current year.

2. **Projected Sales** = (Actual Sales at current year * Expected Growth Rate) +Actual Sales at current year. Expected Growth rate is calculated by following above section "Drafting the Expected Growth Rate."

3. **Projected COGS** = (Actual COGS at current year/Actual Sales at current year) * Projected Sales (Expected Sales)

4. **Projected General & Admin & Operation Expenses**:

Fixed Regular expenses continues same as projected Admin and operating expenses.
Other admin and operating expenses:
Projected Gen & admin and operating expenses = (Actual Gen & admin & op expense at current year/ Actual Sales at current year) * Projected Sales (Expected Sales)

5. **Projected Selling, Marketing & Distribution Expenses:**

Fixed Regular expenses continues same as projected Selling, Marketing & Distribution expenses.
Other admin and operating expenses:
Projected Selling, Marketing & Distribution expenses = (Actual Selling, Marketing & Distribution at current year / Actual Sales at current year) * Projected Sales (Expected Sales)

6. **Projected Depreciation Expenses**

The projected depreciation is projected by schedule of Assets & Rate of depreciation and schedule of Depreciation method.

7. **Projected Interest Expenses:**

The interest is projected by schedule of loan statement.

8. **Projected Dividend:**

The EBIT is projected by reducing the projected sales from projected COGS, Gen, Admin, the Operating Expenses, Selling, Distribution & Marketing expense, Depreciation. After Reducing projected interest from EBIT, PBT is projected. PAT is projected by reducing projected tax from PBT.
Projected PAT * (Dividend at current year/Actual PAT at current year) = Projected Dividend.

9. **Projected Tax:**

Projected tax is projected by multiplying tax rate at the PAT projected.
Projected Tax = Projected PBT * Rate of Tax

2. LOGIC OF PROJECTED INCOME STATEMENT: IN LOSS SITUATION

1. **Cash Reserve Percentage:**

We must decide the percentage of cash reserve from PAT.

2. **Projected PBT:**

When there is a loss, the Debt coverage at year end is divided by Cash Reserve Percentage and multiplied by 100+Cash Reserve Percentage.
Projected PAT = ((Debt Coverage at year end – Total Cash Reserve /Remaining outcome years)/Cash Reserve Percentage)

3. **Projected Expenses/ Cost:**

(Cost or Expense/Actual PBT) * Projected PBT

4. **Projected Sales:**

Projected PBT + Projected Expenses and Costs = Projected Sales

5. **Projected Tax:**

Tax and dividend are derived from the Value of Projected PBT.

Since PBT is in negative, the expense will result in negative, but we need to consider the negative value as actual expense. We are making the loss to BEP, so the percentage or value is considered as Positive.

Loss → No profit & No Loss so if -10% loss, it is considered as 10% to make it to zero.

9. SALES ORDER/CONTRACT AND ITEM/SERVICE SALES PREDICTION

1. Projected AR Invoice Values:

Actual AR Invoice Values/Actual Total Revenue* Projected total Revenue

2. Projected Shipment Value:

Projected COGS

3. Projected Shipment quantity:

Actual shipment quantity/Actual COGS* Projected COGS

4. Projected Sales Orders Values:

Actual Sales Order Values/Actual Shipment Values* Projected Shipment Values

5. Projected Sales Orders Quantity:

Actual ordered quantity/Actual Order values* Projected Order Values

6. Ratio of Shipment by Item:

Shipment Quantity by Item/Actual total Shipment Quantity

7. Projected Shipment Quantity:

Projected Shipment Quantities * Ratio of shipment by item to actual total shipment Quantities

8. Ratio of Sale order values by item

Actual sales order values by item/Total Sales Order Values

9. Ratio of Sale Order Quantity by item

Actual sales order quantities by item/Total Sales Order Quantities

10. Projected Sale order values by item

Projected Sales order values * Ratio of Sale Order Vales by item

11. Projected Sale order Quantities by item

Projected Sales order quantities * Ratio of Sale Order quantities by item

12. Projected Item wise Shipment quantities:

Items	Shipment Quantity	Ratio of shipment by item	Projected Shipment quantity by Item

13. Projected Item wise Sales Order Values and quantities:

Items/Services	Sales Order Values	Sales Order Quantity	Ratio of Sale order values by item	Ratio of Sale Order Quantity by item	Projected Sales orders Valus by item	Projected Sales orders quantity by Item

10. SALES ORDER/CONTRACT FORECAST AND DEVIATION

Deviation of SO Values:

Projected Sales Order Values/Projected Sales Order Quantities*Deviation Quantities

Item	Sales Quantities	Oct-23	Nov-23	Dec-23	Jan-24 to Dec-24

Items	Sales Quantities - Forecast	Sales Quantities - Prediction	Deviation of Quantities	Deviation of SO Values

Suggestion:

We need to create a new Stream of business or new branch of sales or new product to address deviation values or we need to increase the sales to achieve it.

11. STANDALONE AR INVOICES & REVENUES PREDICTION

If we have separate revenue accounts for Standalone AR invoices

Projected Standalone AR Invoice Values:

Actual Standalone AR Invoice Values/Actual Standalone AR invoice revenues * Projected Standalone AR invoice revenues

Projected Standalone AR Invoice Quantities:

Number of Standalone invoices/Actual AR invoices values* Projected Standalone AR invoices values

If we don't have separate revenue accounts for Standalone AR invoices

Projected Standalone AR Invoice Values:

Actual Standalone AR Invoice Values/Actual Total Revenues* Projected total revenues

Projected Standalone AR Invoice Quantities:

Number of Standalone invoices/Actual Standalone AR invoices values* Projected Standalone AP invoices values

Ratio of Standalone AP invoices by Expenses:

Actual Standalone AR Invoice Values Revenue Wise/ Actual Standalone AR Invoice Values * Projected Standalone AR Invoice Values

Expenses of Standalone AR invoices	Actual Standalone AR Invoice Values by Revenues Wise	Actual Standalone AR Invoice Quantities	Ratio of Standalone AR invoices by Revenues	Projected Standalone AR invoice Values by Revenue Wise

12. PURCHASE ORDERS AND ITEM PURCHASES PREDICTION

13. 1. Projected Ap Invoice Values:

Actual Ap Invoice Values/Actual Total Expenses* Projected total expenses

14. 2. Projected Receipt Value:

Actual Receipt Values/Actual AP Invoice* Projected AP Invoice values

15. 3. Projected Receipt quantity:

Actual shipment quantity/Actual Receipt values* Projected Receipt Values

16. 4. Projected Purchase Orders Values:

Actual Purchase Order Values/Actual Receipt Values* Projected Receipt Values

17. 5. Projected Purchase Orders Quantity:

Actual received quantity/Actual Purchase Order values* Projected Purchase Order Values

18. 6. Ratio of Purchase order values by item

19. Actual Purchase order values by item/Total Purchase Order Values

20. 7. Ratio of Purchase Order Quantity by item

21. Actual Purchase order quantities by item/Total Purchase Order Quantities

22. 8. Projected Purchase order values by item

23. Projected Purchase order values * Ratio of Purchase Order Vales by item

24. 9. Projected Purchase order quantities by item

25. Projected Purchase order quantities * Ratio of Purchase Order quantities by item

26. 10. Projected Item wise Receipt quantities:

Items	Received Quantity	Ratio of Receipt quantity by item	Projected Receipt quantity by Item

27. Projected Item wise Purchase Order Values and quantities:

Items/Services	Purchase Order Values	Purchase Order Quantity	Ratio of Purchase order values by item	Ratio of Purchase Order Value by item	Projected Purchase orders Valus by item	Projected Purchase orders quantity by Item

13. PURCHASE ORDERS FORECASTAND DEVIATION

Deviation of PO Values:

Projected Purchase Order Values/Projected Purchase Order Quantities*Deviation Quantities

Purchase Quantities - Forecast

Item	Purchase Quantities	Oct-23	Nov-23	Dec-23	Jan-24 to Dec-24

Deviation of Prediction Vs Forecast

Items	Purchase Quantities - Forecast	Purchase Quantities - Prediction	Deviation of Quantities	Deviation of SO Values

Suggestion:

We need to purchase more quantities to address deviation values and quantities.

14. STANDALONE AP INVOICES & EXPENSES PREDICTION

If we have separate expense account for Standalone AP invoices

14. Projected Standalone Ap Invoice Values:

Actual Standalone Ap Invoice Values/Actual Standalone AP invoice expenses * Projected Standalone AP invoice expenses

15. Projected Standalone Ap Invoice Counts:

Number of Standalone invoices/Actual AP invoices values* Projected Standalone AP invoices values

If we don't have separate expense account for Standalone AP invoices

16. Projected Standalone Ap Invoice Values:

Actual Standalone Ap Invoice Values/Actual Total Expenses* Projected total expenses

17. Projected Standalone Ap Invoice Counts:

Number of Standalone invoices/Actual Standalone AP invoices values* Projected Standalone AP invoices values

Ratio of Standalone AP invoices by Expenses:

Actual Standalone Ap Invoice Values Expense Wise/ Actual Standalone Ap Invoice Values * Projected Standalone Ap Invoice Values

Expenses of Standalone AP invoices	Actual Standalone Ap Invoice Values by Expense Wise	Actual Standalone Ap Invoice Quantities	Ratio of Standalone AP invoices by Expenses	Projected Standalone AP invoice Values by Expense Wise

15. MINIMUM BANK & CASH BALANCE PREDICTION

1. Projected Payments:

Payment/Actual AP invoice Values*Projected AP Invoice value

2. Projected Receipts:

Receipt/Actual AR invoice Values*Projected AR Invoice value

3. Projected Bank & Cash Activities:

Projected Receipts – Projected Payments

4. Minimum Bank & Cash Balance:

Opening Balance + Projected Bank & Cash Activities

16. PREDICTION NON-SUBLEDGER JOURNAL ENTRIES FOR EXPENSES

If we have separate expense account for Standalone Journal Entries

1. Projected Standalone Journal Entries Values:

Actual Standalone Journal Entries Values/Actual Standalone Journal Entries' expenses * Projected Standalone Journal entries expenses

2. Projected Standalone Journal Entries Count:

Number of Standalone invoices/Actual Journal entry values* Projected Standalone Journal entry values

If we don't have separate expense account for Standalone Journal Entries

3. Projected Standalone Journal Entry Values:

Actual Standalone Journal Entry Values/Actual Total Expenses* Projected total expenses

4. Projected Standalone Journal Entry Counts:

Number of Standalone Journal entry/Actual Standalone Journal entry values* Projected Standalone AP invoices values

Ratio of Standalone Journal entries by Expenses:

Actual Standalone Journal Entry Values Expense Wise/ Actual Standalone Journal Entry Values * Projected Standalone Journal Entry Values

Expenses of Standalone JE	Actual Standalone JE Values by Expense Wise	Actual Standalone JE Counts	Ratio of Standalone JE by Expenses	Projected Standalone JE Values by Expense Wise

17. PREDICTION NON-SUBLEDGER JOURNAL ENTRIES FOR EXPENSES

If we have separate Revenue account for Standalone Journal Entries

1. Projected Standalone Journal Entries Values:

Actual Standalone Journal Entries Values/Actual Standalone Journal Entries' Revenues * Projected Standalone Journal Entries Revenues

2. Projected Standalone Journal Entries Count:

Number of Standalone invoices/Actual Journal entry values* Projected Standalone Journal entry values

If we don't have separate Revenue account for Standalone Journal Entries

3. Projected Standalone Journal Entry Values:

Actual Standalone Journal Entry Values/Actual Total Revenues* Projected total Revenues

4. Projected Standalone Journal Entry Counts:

Number of Standalone Journal entry/Actual Standalone Journal entry values* Projected Standalone AP invoices values

Ratio of Standalone Journal entries by Revenues:

Actual Standalone Journal Entry Values Revenue Wise/ Actual Standalone Journal Entry Values * Projected Standalone Journal Entry Values

Revenues of Standalone JE	Actual Standalone JE Values by Revenue Wise	Actual Standalone JE Counts	Ratio of Standalone JE by Revenues	Projected Standalone JE Values by Revenue Wise

18. DRAFTING PROJECTED INCOME STATEMENT FOR THE YEAR YYYY:

The Management Accounts are grouped by individual financial accounts (Chart of Accounts) based on understanding of management and income statement.

➢ **TABLE 1**

Year: YYYY	
Management Accounts	**Amount**
Projected Sales	
Less:	
Projected COGS	
Gross Profit – Projection	
Less:	
Projected General, Admin, Operation expenses	
Projected Selling, Marketing, Distribution Expenses	
Projected Depreciation	
EBIT	
Less: Projected Interest	
PBT	
Less: Projected Tax	
PAT	
Less: Projected Dividend	
PAT after dividend Projected	
Expected Cash Reserve = Reserve Percentage * PAT after Dividend	

19. DRAFTING VARIATION STATEMENT AT EVERY YEAR END - FORMAT

1. THEORY OF VARIANCE STATEMENT:

At every year end within the total overcome years, we do a variance statement at year end starting from first year of total overcome years till end of overcome years. The variance amount and percentage show that deviation from growth rate and expected cash reserve. Based on the Variance amount or percentage, we can increase the total overcome years. Variance statements of every year end is compared and analysed for detailed information.

➢ **TABLE 2**

2. VARIANCE STATEMENT FOR THE YEAR XXXX:

Year: YYYY				
Management Accounts	**Actual Amount Taken from current year income statement**	**Projected Amount Taken from projection statement of current year from earlier section**	**Variance amount Actual Amount - Projected Amount**	**Variance (Percentage Variance Amount/Projected Amount *100)**
Sales				
Less:				
COGS				
Gross Profit				
Less:				
General, Admin, Operation expenses				
Selling, Marketing, Distribution Expenses				
Less: Depreciation				
EBIT				
Less: Interest				

PBT				
Less: Tax				
PAT				
Less: Dividend				
PAT after dividend				
Expected Reserve Cash= Reserve Percentage * PAT after Dividend				

3. **VARIANCE REPORT OF SO FOR THE YEAR XXXX**

ITEM	SO, VALUES PREDICTED	SO, VALUES ACTUAL	VARIANCE	SO, QUANTITIES PREDICTED	SO QANTITIES ACTUAL	VARIANCE

4. VARIANCE REPORT OF PO FOR THE YEAR XXXX

ITEM	PO VALUES PREDICTED	PO VALUES ACTUAL	VARIANCE	PO QUANTITIES PREDICTED	PO QANTITIES ACTUAL	VARIANCE

5. VARIANCE REPORT OF SHIPMENT FOR THE YEAR XXXX

ITEM	SHIPMENT QUANTITIES PREDICTED	SHIPMENT QANTITIES ACTUAL	VARIANCE

6. VARIANCE REPORT OF RECEIPT FOR THE YEAR XXXX

ITEM	RECEIPT QUANTITIES PREDICTED	RECEIPT QANTITIES ACTUAL	VARIANCE

EXAMPLE - PROJECTED INCOME STATEMENT & VARIANCE STATEMENT

20. PROJECTED INCOME STATEMEN BY MAKING DEBT COVERAGE AS PAT UNDER PROFIT

➢ **TABLE 1**

Debt = 2000000, Assets Revalued: 1000000, Years to overcome: 10 years

Management Accounts	Year	
	2021	2022
Sales	200000	250000
Less:		
COGS	50000	55000
Gross Profit – Projection	150000	195000
Less:		
General, Admin, Operation expenses	10000	15000
Selling, Marketing, Distribution Expenses	10000	15000
Depreciation	10000	15000
EBIT	120000	150000
Less: Interest	10000	10000
PBT	110000	140000
Less: Tax	10000	20000
PAT	100000	120000
Less: Dividend	10000	15000
PAT after dividend Projected	90000	105000

Cash Reserve Percentage:
90 %

Actual Rate:
PAT After Dividend/Sales * 100
105000/250000 * 100 = 42%
Debt Coverage:
Debt – Revalued non-current assets
2000000 – 1000000 = 1000000
Growth Rate:
(Debt Coverage/Overcome years)/Reserve Rate*Actual Rate – Actual Sales/Actual Sales * 100
(100000/90%*42%) – 250000/250000*100
(2,64,550-250000)/250000*100= 5.82%

➢ **TABLE 2**

Year: 2023	
Management Accounts	**Amount**
Projected Sales	264550
Less:	
Projected COGS	58201
Gross Profit – Projection	206349
Less:	
Projected General, Admin, Operation expenses	15873
Projected Selling, Marketing, Distribution Expenses	15873
Projected Depreciation	15000
EBIT	159603
Less: Projected Interest	10000
PBT	149603
Less: Projected Tax	12000
PAT	137603
Less: Projected Dividend	16000
PAT after dividend Projected	121603
Expected Cash Reserve = Reserve Percentage * PAT after Dividend	109442

Debt coverage per year = 100000 and cash reserve this year = 109442

PROJECTED INCOM

21. PROJECTED INCOME STATEMEN GROWTH IN SALES UNDER PROFIT

E STATEMEN BY MAKING DEBT COVERAGE AS PAT UNDER PROFIT

➢ **TABLE 3**

Debt = 2000000, Assets Revalued: 1000000, Years to overcome: 10 years

Management Accounts	**Year**	
	2021	**2022**
Sales	200000	250000
Less:		
COGS	50000	55000
Gross Profit – Projection	150000	195000
Less:		
General, Admin, Operation expenses	10000	15000
Selling, Marketing, Distribution Expenses	10000	15000
Depreciation	10000	15000
EBIT	120000	150000
Less: Interest	10000	10000
PBT	110000	140000
Less: Tax	10000	20000

PAT	100000	120000
Less: Dividend	10000	15000
PAT after dividend Projected	90000	105000

Cash Reserve Rate = 90%

1. Debt Coverage:

- Debts at every year end – Revalued Non-Current Assets at every year-end = Debt Coverage

2000000-1000000= 1000000

2. Actual Rate:

- Actual sales (at current year)- Last year Sales/Last Year Sales*100 = Actual Rate

(250000-200000)/200000*100 = 25%

3. Expected Cash Reserve:

- Debt Coverage at every Year End / The Remaining Overcome Year = Expected Cash Reserve

1000000/10 = 100000

4. PAT to Sales Percentage:

PAT/Sales*100

120000/250000*100=48%

5. Projected Sales:

Projected Sales1 =100000/90%*48% = 231481.481481481

Projected Sales2 = 250000 * (100+25) % = 312500

Projected Sales2/ Projected Sales1 >=1

312500/231481.481481481 = 1.35

So

Projected Sales = Actual*(100+25) % = 250000 * (100+25) % = 312500

6. Expected Growth Rate:

(312500 – 250000)/250000*100 = 25%

➢ **TABLE 4**

Year: 2023	
Management Accounts	**Amount**
Projected Sales	312500
Less:	
Projected COGS	68750
Gross Profit – Projection	243750
Less:	
Projected General, Admin, Operation expenses	18750
Projected Selling, Marketing, Distribution Expenses	18750
Projected Depreciation	15000
EBIT	191250
Less: Projected Interest	10000
PBT	181250
Less: Projected Tax	18125
PAT	163125
Less: Projected Dividend	22000
PAT after dividend Projected	141125
Expected Cash Reserve = Cash Reserve Percentage * PAT after Dividend	127012.5

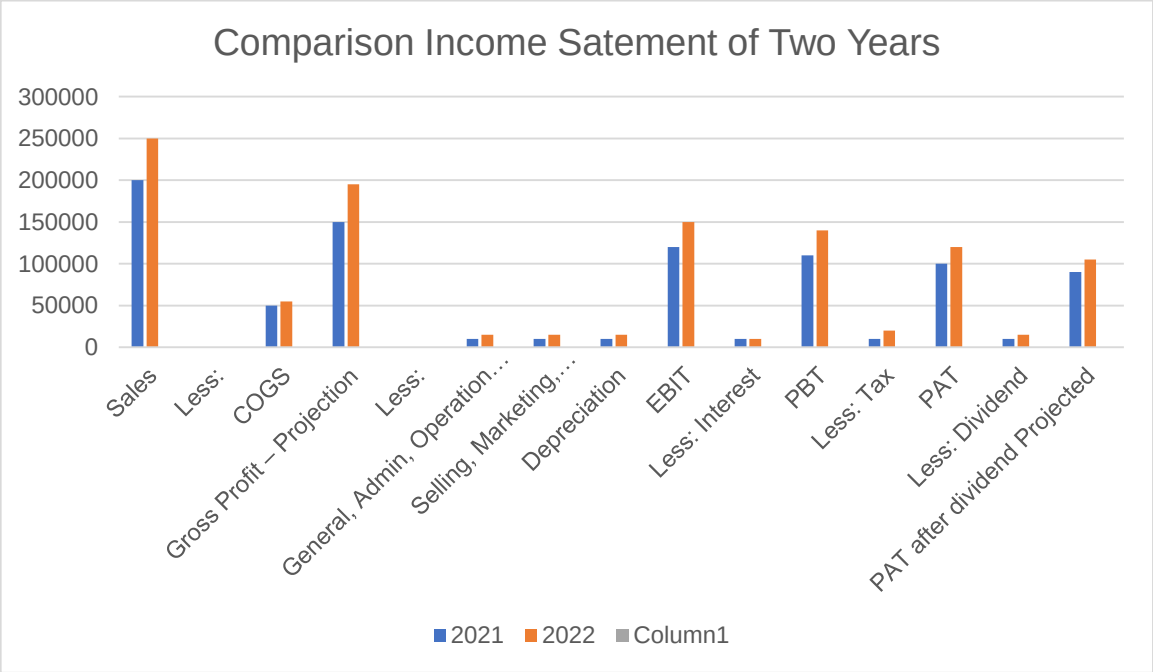
Expected Cash Reserve = 100000 and cash reserve this year = 127012.5 and Tax percentage = 10%

22. PROJECTED INCOME STATEMENT BY PERCENTAGE OF PAT AFTER DIVIDEND UNDER PROFIT

➢ **TABLE 5**

Debt = 2500000, Assets Revalued: 1000000, Years to overcome: 10 years

Management Accounts	Year	
	2021	2022
Sales	200000	250000
Less:		
COGS	50000	55000
Gross Profit – Projection	150000	195000
Less:		
General, Admin, Operation expenses	10000	15000
Selling, Marketing, Distribution Expenses	10000	15000
Depreciation	10000	15000
EBIT	120000	150000
Less: Interest	10000	10000
PBT	110000	140000
Less: Tax	10000	20000
PAT	100000	120000
Less: Dividend	10000	15000
PAT after dividend Projected	90000	105000



Cash Reserve Percentage:

90 %

Actual Rate:

PAT After Dividend/Sales * 100

105000/250000 * 100 = 42%

1. Expected Cash Reserve:

- (Debt Coverage at every Year End – Total Actual Cash Reserve) / The Remaining Overcome Year = Expected Cash Reserve

Debt Coverage:

Debt – Revalued non-current assets
2500000 – 1000000 = 1500000
1500000-0/10= 150000

2. PAT Growth Percentage

- **(PAT after Dividend at current year – PAT after Dividend at last year)/PAT after Dividend at last year * 100**
- (105000 – 90000)/90000*100 = 16.66%

3. Projected PAT:

- **Since, Expected Cash Reserve > PAT after Dividend**
- **(((Expected Cash Reserve/PAT after Dividend) *PAT Growth Percentage + 100%) * PAT after Dividend Current year)/ Cash Reserve Percentage**
- **(((150000/105000*16.66%)) +100%) *105000)/90% = 144433.33**

4. PAT to Sales Percentage Actual:

- **PAT after Dividend at Current Year/Sales at Current Year * 100**

105000/250000*100 = 42%

5. Projected Sales Growth Rate (Sales Growth Rate):

- **((Projected PAT/PAT to Sales Percentage Actual) – Actual Sales)/Actual Sales * 100**
- **((144433.33/42%) – 250000)/250000 * 100 = (3,43,888.88 – 250000)/250000 * 1000**
- **37.56%**

➢ **TABLE 6**

Year: 2023	
Management Accounts	**Amount**
Projected Sales	343900
Less:	
Projected COGS	75658
Gross Profit – Projection	228242
Less:	
Projected General, Admin, Operation expenses	20364
Projected Selling, Marketing, Distribution Expenses	20364
Projected Depreciation	15000
EBIT	171974
Less: Projected Interest	10000
PBT	161974
Less: Projected Tax	12000
PAT	149974
Less: Projected Dividend	17000
PAT after dividend Projected	132974
Expected Cash Reserve = Reserve Percentage * PAT after Dividend	119676

Debt coverage per year = 150000 and cash reserve this year = 119676

23. PROJECTED INCOME STATEMENT UNDER LOSS

Projected Statements_Under L

Debt = 2000000, Assets Revalued: 1000000, Years to overcome: 10 years

➢ **TABLE 7**

Management Accounts	**Year**
	2022
Sales	100000
Less:	

COGS	50000
Gross Profit – Projection	50000
Less:	
General, Admin, Operation expenses	20000
Selling, Marketing, Distribution Expenses	20000
Depreciation	20000
EBIT	-10000
Less: Interest	10000
PBT	-20000
Less: Tax	0
PAT	-20000
Less: Dividend	0
PAT after dividend Projected	-20000

Projected PBT:
Projected PBT = ((Debt Coverage at year end – Total Cash Reserve /Remaining outcome years)/Cash Reserve Percentage)
(100000/90) *100 = 111111

➢ **TABLE 8**

Year: 2023	
Management Accounts	**Amount**
Projected Sales	631110
Less:	
Projected COGS	277777
Gross Profit – Projection	353333
Less:	
Projected General, Admin, Operation expenses	111111
Projected Selling, Marketing, Distribution Expenses	111111
Projected Depreciation	20000
EBIT	111111
Less: Projected Interest	10000
PBT	111111
Less: Projected Tax	15000
PAT	96111
Less: Projected Dividend	15000
PAT after dividend Projected	81111
Expected Cash Reserve = Reserve Percentage * PAT after Dividend	72999.9

Expected Cash Reserve = 2000000 – 1000000 = 1000000

Actual Cash Reserve = 72999.9

24. VARIANCE STATEMENT FOR THE YEAR 2023 – UNDER PROFIT

➢ **TABLE 9**

Year: 2023				
Management Accounts	**Actual Amount Taken from current year income statement**	**Projected Amount Taken from projection statement of current year**	**Variance amount Actual Amount - Projected Amount**	**Variance (Percentage Variance Amount/Projected Amount *100)**

		from earlier section		
Sales	255000	264550	-9550	-3.609%
Less:				
COGS	55000	58201	-3201	-5.499%
Gross Profit	200000	206349	-6349	
Less:				
General, Admin, Operation expenses	15100	15873	-773	-4.869%
Selling, Marketing, Distribution Expenses	15100	15873	-773	-4.869%
Less: Depreciation	15000	15000	0	
EBIT	154800	159603	-4803	
Less: Interest	10000	10000	0	
PBT	144800	149603	-4803	
Less: Tax	11000	12000	-1000	-8.33%
PAT	133800	137603		
Less: Dividend	15000	16000	-1000	-6.25%
PAT after dividend	118800	121603		
Expected Reserve Cash= Reserve Percentage * PAT after Dividend	106920	109442		

25. REAL TIME DATA FOR THOSE METHODOLOGIES:

1. REAL TIME DATA FOR UNDER-LOSS BUSINESS SITUATION:

- EssarShipping_AR_2021-22 Financial st... ESSAR STEEL Limited → Financial statements in annual report
- Projected P&L and CFS of ESSAR STEEL... ESSAR STEEL Limited → Projected statements by this methodology

2. REAL TIME DATA FOR GROWTH IN SALES UNDER PROFIT BUSINESS SITUATION:

- Moneycontrol.com __ Company Info __ ... Moneycontrol.com __ Company Info __ ... Moneycontrol.com __ Company Info __ ... → Financial statement
- Projected PL and CFS for Jet Airways ... - Jet airways limited → Projected Statement

3. REAL TIME DATA FOR PAT WITHOUT GROWTH IN SALES AND PROFIT

- Alok- Abridged Annual Report 2019 → Annual Report 2019 to 2020

4. 

- Alok Industries Limited → Projected Statements

CONCLUSION:

Generally, all projected statement will assist to predict based on some past year comparisons and ratio analysis, but these methods will help to fix a blueprint in projected statement based on formulae to achieve the profit and cash reserve for repaying the debts. These projected statements are the blueprint of future and expected income statements and cash statements for repaying the debts. It will help in fixing budget for expenses, & Cost as well as setting sales target for profit. Even budgets of cost and expense can be derived by statement. Traditionally, we set the budgets based on our expenses and cost graph. It is a future of business in a projected statement based on formula rather than mere ratio analysis. The methodologies are based on some formulae, so those formulae are derived from business situations rather than prevalent ratio analysis because all projections are based on the prevalent ration analysis only. If we go ahead with prevalent ratio analysis, the projection will predict the same situation based on the previous years, but these formulae set a blueprint to achieve expected cash reserve to repay the debts. The core idea is to repay debt by cash reserve from profit. Rest of all are derived from formulae based on the cash reserve so there is no deviation from the core idea, so we avoided the traditional ratio analysis and projection logics. We predicted the business situation based on possibilities of profitability. Loss, Same/Reduced PAT, Cost Cutting, Growth in sale & Profit. Maximum all business will cover these possibilities of profitability, so our method covers all scenarios rather than the traditional loss situation for bankruptcies. It can be complete blueprint of income and cash flow statement for future year ahead rather than projections by ration analysis. We have prediction for SO, PO, Shipment, Receipts, AP, AR invoices, JE for expenses and revenue and deviation analysis for SO & PO and deviation for all predictions with actual.