

**FIN-411 Corporate Finance II
Dr. Michelson – Spring 2009**

Computer Assignment – Cash Budget

Stetson Electronics Inc. has forecasted revenues for 2009/10 as shown on the attached worksheet.

The firm collects 57% of its sales one month after the sale, 38% two months after the sale, and 5% are written off as bad debts three months after the sale. Bad debts are not included in the total collections. Purchases for raw material and inventory will be 49% of the next month's sales. Payments for inventory will be 6% in cash for the current month, 73% following the month purchased and 21% two months after purchase. The firm assumes that wages will average 24% of the current month's sales. Travel expense is 3% of the current month's wages. Foreign payoffs and bribes are 5% of next month's sales. Advertising is 2% of the current month's sales. Equipment maintenance is 3% of the current month's sales and delivery charges are 2% of current month's sales. Rent, lease, etc. are as stated on the attached worksheet. Interest needs to be computed by tying in the amount borrowed and the monthly interest rate. The ending cash balance in November is \$25,000 and the firm wishes to maintain a minimum cash balance of \$25,000.

Create a cash budget for September 2009 to May 2010. What is the minimum line of credit that this firm should maintain considering all three scenarios? What happens to the firm's financial situation if sales increase or decrease by 20%? (Run two more scenarios: one for a 20% increase and one for a 20% decrease, you can use the percent cell (C6) to do this automatically) Don't tell me which you would select (you don't have that choice), just discuss what happens to the firm if the sales do change (scenario analysis). Provide a one page typed write-up.

Spreadsheet Instructions: Only use cell formulas to perform the calculations, do not hardcode numbers in the cell formulas. No numbers are to be entered in the cells in the spreadsheet, except when specifically called out, such as: rent, lease, utilities, interest, dividends, taxes, and capital outlays. All cell formulas should reference the data in the spreadsheet, do not hardcode numbers. Do not add or delete columns or rows.

When complete print out the following:

1. The completed Cash Budget. (3 times, once for each scenario.)
2. Print out the Cash Budget again, but only print out cell formulas. This will allow me to check that only cell formulas have been used. Do not truncate cell formulas!
3. Turn in your 3-1/2 disk or email me your completed file.