EXERCISE ON FINANCIAL PLANNING

A start-up company plans to export Italian wines to China. The average cost per bottle is estimated 7€ included import taxes and freight if a total volume of purchase is guaranteed (100.000 units). The average price on the Chinese market is 15 €. Volumes and other expenses are described in table 1. Wine suppliers ask for payments in 60 days, while sales are paid at delivery in China. The firm plans to pay rentals, staff and other operating expenses within the financial period in which they incur.

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| --- | --- | --- | --- |
|  | *First year* | *Second Year* | *Third Year* |
| Sales volume | 40.000 | 70.000 | 120.000 |
| Purchase volumes | 100.000 | 100.000 | 100.000 |
| Other oper. Expenses: |  |  |  |
| Rentals | € 15.000 | €15.000 | € 15.000 |
| Staff | € 60.000 | € 70.000 | € 80.000 |
| Other: distribution, marketing and admin. Services | € 150.000 | € 150.000 | € 160.000 |
| Contributions from owners (cash) | € 20.000 |  |  |

Table 1

Requested:

1. prepare the plan of the performance (income statements) for the next three years, assuming a 30% tax rate and a 6% interest rate on short term borrowings.
2. prepare the statements of the financial position (balance sheets) at the end of each period.