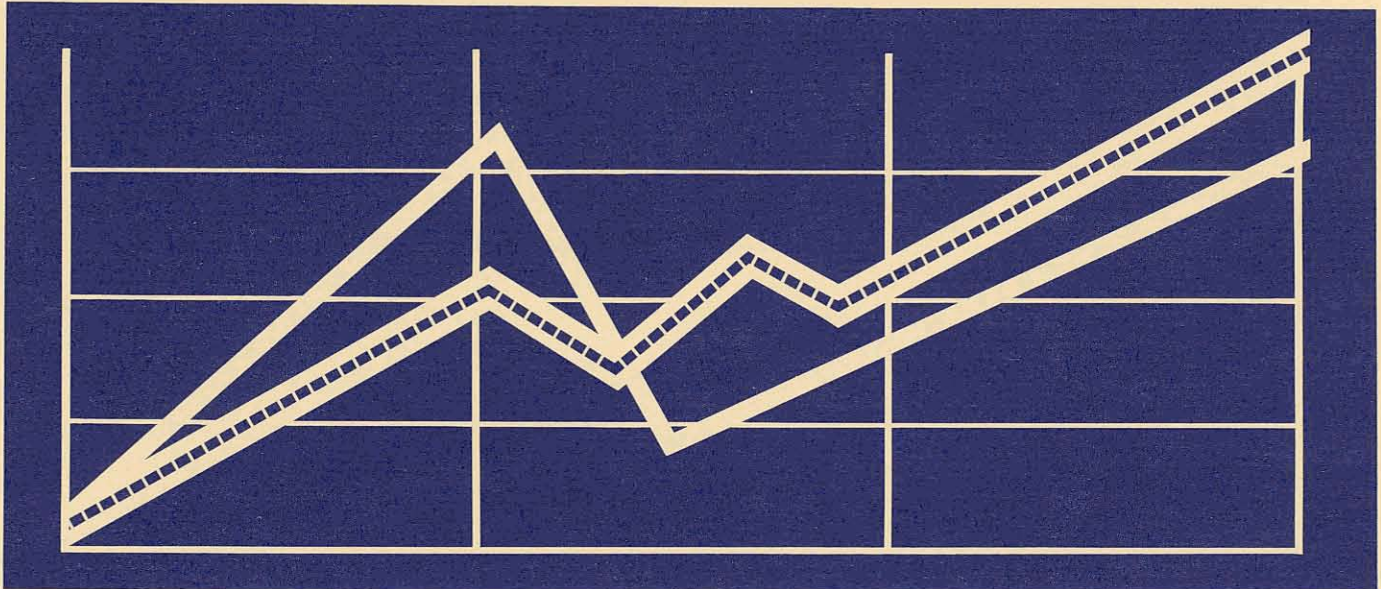


# planning and budgeting



## ROSS SYSTEMS

Today's business executives operate in a highly complex, rapidly changing environment. The modern corporation must develop effective financial planning and control systems if it hopes to survive and prosper in this environment.

As a management consulting firm, Ross Systems combines experience in the fields of accounting, financial management and computer applications to assist the financial executive in the development of these systems. Though not a computer service firm, Ross Systems offers the flexibility to apply both computer and non-computer solutions to a client's financial problems. Ross Systems has been organized on the premise that systems design and development is only one aspect of the solution to a client's problems, and the implementation of these systems is equally important. In so doing, our close association with the personnel of the client has contributed to the successful completion of the systems which were instituted.

Since its founding in August 1972, Ross Systems has concluded numerous projects in the field of financial planning and control, with the size of client companies ranging from \$5–100 million in annual sales. A significant, positive impact has been made on our client's capability to effectively forecast and measure operating results.

Financial planning and budgeting is one of the many areas in which Ross Systems has worked and our expertise can be applied to both small and large companies. Our objective is to present the practical aspects of this system. These concepts are not theoretical, but are in actual daily operation, assisting these companies in forecasting future financial requirements and controlling current operations.



## NEED FOR A PLANNING SYSTEM

The development of financial plans implies the constant re-evaluation of goals and objectives. A planning system provides management with the tools to accomplish this process.

This detailed set of plans is laboriously developed based upon certain assumptions, only to have one of these assumptions, such as the sales forecast altered. Consequently, these plans must be revised with the possibility of this event occurring over and over again.

A properly designed system will solve many of these problems, while freeing the planning personnel for more productive work.

FIVE YEAR PLANNING MODEL												
PROFIT AND LOSS STATEMENT												
	1973 \$	1973 %	1974 \$	1974 %	1975 \$	1975 %	1976 \$	1976 %	1977 \$	1977 %	1978 \$	1978 %
SALES												
STD. PRODUCTS	45,000	88.2	51,500	85.1	52,000	85.2	54,050	85.3	56,410	98.3	65,871	84.6
SVC. AND OTHER	6,000	11.8	9,000	14.9	9,000	14.8	9,550	15.0	1,000	1.7	12,000	15.4
GROSS SALES	51,000	100.0	60,500	100.0	61,000	100.0	63,600	100.0	57,410	100.0	77,871	100.0
DISCOUNTS	600	1.2	3,630	6.0	3,660	6.0	3,816	6.0	3,445	6.0	4,673	6.0
NET SALES	50,400	98.8	56,870	94.0	57,340	94.0	59,784	94.0	53,965	94.0	73,198	94.0
COST OF SALES												
ACT. INV. COSTS	30,030	58.8	29,252	48.4	29,496	48.4	30,863	48.5	25,033	43.6	37,856	48.6
VAR. + OTHER	1,500	2.9	2,097	3.5	2,128	3.5	2,123	3.3	2,284	4.0	2,535	3.3
TOTAL COST	31,500	61.8	31,349	51.8	31,624	51.8	32,986	51.9	27,317	47.6	40,391	51.9
GROSS MARGIN	18,900	37.1	25,521	42.2	25,716	42.2	26,798	42.1	26,648	46.4	32,807	42.1
CAPACITY COSTS												
LABOR	7,000	13.7	6,143	10.2	6,450	10.6	6,842	10.8	6,880	12.0	8,169	10.5
PAYROLL EXPENSE	1,350	2.6	1,229	2.0	1,419	2.3	1,642	2.6	1,720	3.0	2,124	2.7
DEPRECIATION	800	1.6	819	1.4	901	1.5	982	1.5	1,061	1.8	1,115	1.4
ALL OTHER	3,500	6.9	3,575	5.9	3,905	6.4	4,366	6.9	3,995	7.0	5,222	6.7
INTEREST	200	0.4	257	0.4	156	0.3	114	0.2	(1)	-	(215)	(0.3)
TOTAL CAP.	12,850	25.2	12,023	19.9	12,831	21.0	13,946	21.9	13,655	23.8	16,415	21.1
CORPORATE	1,000	2.0	600	1.0	1,000	1.6	1,500	2.4	1,750	3.0	2,000	2.6
GROSS EARNINGS	5,050	9.9	12,898	21.3	11,885	19.5	11,352	17.8	11,243	19.6	14,392	18.5
TAXES	2,424	4.8	6,191	10.2	5,705	9.4	5,449	8.6	5,397	9.4	6,908	8.9
NET PROFIT	2,626	5.1	6,707	11.1	6,180	10.1	5,903	9.3	5,846	10.2	7,484	9.6

FIVE YEAR PLANNING MODEL  
FORECAST OF CASH REQUIREMENTS

	1974	1975	1976	1977	1978
<b>CASH REQUIREMENTS</b>					
EQUIPMENT PURCHASES	\$1,045	\$ 610	\$1,336	\$ 632	\$ 934
LAND AND BUILDINGS	-	2,500	-	2,800	-
GROSS ADDITIONS	1,045	3,110	1,336	3,432	934
INVESTMENT TAX CREDIT	(73)	(43)	(194)	(44)	(65)
NET PURCHASES	972	3,067	1,242	3,388	869
DIVIDENDS	4,000	4,000	4,000	4,000	5,000
DEBT RETIREMENT	500	500	400	400	400
OTHER NON-CURRENT ITEMS	-	10	10	-	-
WORKING CAPITAL CHANGES	918	(684)	(248)	(4,128)	6,993
TOTAL CASH REQUIREMENTS	6,390	6,893	5,404	3,660	13,262
<b>CASH RESOURCES</b>					
NET INCOME	\$6,707	\$6,180	\$5,903	\$5,846	\$7,484
NON-CASH ITEMS					
DEPRECIATION	819	901	982	1,061	1,115
OTHER	47	7	36	(86)	286
TOTAL CASH FROM OPERATIONS	7,573	7,088	6,921	6,821	8,885
ADDITIONAL CASH REQUIREMENTS	(1,183)	(195)	(1,517)	(3,161)	4,377
TOTAL CASH RESOURCES	6,390	6,893	5,404	3,660	13,262
<b>ANALYSIS OF WORKING CAP. CHANGES</b>					
CASH	\$ 129	\$ 8	\$ 44	\$ (105)	\$ 348
ACCOUNTS RECEIVABLE	1,918	117	13	(1,396)	3,884
INVENTORIES	(1,214)	(744)	(9)	(3,298)	5,022
OTHER CURRENT ASSETS	50	-	-	-	-
CURRENT LIABILITIES	35	(65)	(296)	671	(2,261)
NET WORKING CAPITAL CHANGE	918	(684)	(248)	(4,128)	6,993

SAMPLE ONLY

FIVE YEAR PLANNING MODEL  
FINANCIAL ANALYSIS

	1973	1974	1975	1976	1977	1978
<b>INCOME STATEMENT</b>						
NET SALES	\$50,400	\$56,870	\$57,340	\$59,784	\$53,965	\$73,198
ANNUAL GROWTH RATE	-%	12.8%	0.8%	4.3%	(9.7%)	35.6%
AVERAGE GROWTH RATE	-%	8.8%	8.8%	8.8%	8.8%	8.8%
EARNINGS	\$ 2,626	\$ 6,707	\$ 6,180	\$ 5,903	\$ 5,846	\$ 7,484
ANNUAL GROWTH	-%	155.4%	(7.9%)	(4.5%)	(1.0%)	28.0%
AVG. GROWTH	-%	34.0%	34.0%	34.0%	34.0%	34.0%
PERCENT OF SALES	5.2%	11.8%	10.8%	9.9%	10.8%	10.2%
<b>BALANCE SHEET</b>						
AVERAGE EQUITY	\$ -	\$27,324	\$29,767	\$31,809	\$33,683	\$35,848
EQUITY TURNOVER	-	2.08	1.93	1.88	1.60	2.04
RETURN ON EQUITY	-%	24.5%	20.8%	18.6%	17.4%	20.9%
AVERAGE CAPITALIZATION	\$ -	\$31,168	\$32,432	\$33,178	\$32,323	\$34,706
CAPITAL TURNOVER	-	1.82	1.77	1.80	1.67	2.11
RETURN ON CAPITAL (1)	-%	22.3%	19.5%	18.1%	18.1%	20.9%
RETURN ON CAPITAL (2)	-%	24.3%	22.6%	22.7%	23.5%	26.7%
CURRENT RATIO	-	4.36	4.24	4.08	3.77	3.85
ACID TEST RATIO	-	2.27	2.27	2.19	2.18	2.10
LTD TO EQUITY	-	0.10	0.08	0.01	(0.09)	0.02
INV. TURNS, STD	-	1.74	1.93	2.08	2.20	2.49
INV. TURNS, OTHER	-	2.09	2.02	2.08	0.38	3.73
INV. TURNS, TOTAL	-	1.82	1.95	2.08	1.90	2.72

(1) - NEXT INCOME PLUS INTEREST

(2) - NET INCOME PLUS INTEREST AND CORPORATE CHARGES

SAMPLE ONLY

EXAMPLES

These reports are included as samples from systems developed by Ross Systems. They do not represent a package that has been sold to a specific client. Rather, the ideas shown are geared to satisfy individual requirements. All of the numbers shown on these reports consist of test data only and do not represent either realistic magnitudes or trends.

FIVE YEAR PLANNING MODEL  
BALANCE SHEET FOR YEAR ENDING

	1973	1974	1975	1976	1977	1978
<b>A S S E T S</b>						
CASH	1,500	1,629	1,637	1,681	1,576	1,924
ACCOUNTS RECEIVABLE	12,300	14,218	14,335	14,348	12,952	16,836
INVENTORIES	16,900	14,786	14,042	14,033	10,735	15,757
OTHER	150	200	200	200	200	200
TOTAL CURRENT ASSETS	29,950	30,833	30,214	30,262	25,463	34,717
PROP., PLNT, EQP (NET)	8,000	8,153	10,319	10,579	12,906	12,660
OTHER NON-CURRENT	200	200	210	220	220	220
TOTAL ASSETS	38,150	39,186	40,743	41,061	38,589	47,597
<b>LIABILITIES AND EQUITY</b>						
OTHER CURRENT LIAB.	6,700	6,655	6,710	6,996	6,315	8,566
CURR. PART, LTD	400	410	420	430	440	450
TOTAL CURRENT LIAB.	7,100	7,065	7,130	7,426	6,755	9,016
DEFERRED CHARGES	800	847	854	890	804	1,090
LONG TERM DEBT	5,000	4,500	4,000	3,600	3,200	2,800
ADDITIONAL DEBT	(720)	(1,903)	(2,098)	(3,615)	(6,776)	(2,399)
TOTAL LONG TERM DEBT	4,280	2,597	1,902	(15)	(3,576)	401
EQUITY	25,970	28,677	30,857	32,760	34,606	37,090
TOTAL LIABILITIES AND EQUITY	38,150	39,186	40,743	41,061	38,589	47,597
<b>STATEMENT OF EQUITY</b>						
BEGINNING BALANCE	-	25,970	28,677	30,857	32,760	34,606
NET INCOME	-	6,707	6,180	5,903	5,846	7,484
DIVIDENDS	-	4,000	4,000	4,000	4,000	5,000
ENDING BALANCE	-	28,677	30,857	32,760	34,606	37,090

SAMPLE ONLY





