**EFFECTIVE FINANCIAL MANAGEMENT**

**Learning Outcome 2: ACTIVITY 4**

**Preparing projected financial statements**

Projected financial statements provide a rigorous and systematic basis by which the final two steps of the planning process can be developed. The financial effects of various ‘scenarios’ can be modelled and assessed.

Projected financial statements will provide a comprehensive picture of a business’s future financial performance and financial position. A financial ratio analysis based on projected financial statements can be used to develop and deepen the understanding and interpretation of projected financial performance and financial position.

Look back to LO2 Activity 2.

#### In small groups

Identify a business with which you are familiar. This could be a multinational company from which you have purchased goods/services, a business that owns your favourite brand or the business for which you work (or wish to work in the future).

Ideally this should be the business you chose in LO1 to re-visit throughout your classroom activities.

From your research:

1. Consider the results of your analysis in LO2 Activity 2. Reflect on the likely impact that your chosen objective will have on the key variables identified and on the projected financial statements.
2. Prepare the projected financial statements using the data in the existing financial statements and the results of your analysis in (1). You may need to make assumptions: if so, then note these assumptions and be ready to justify them as part of your presentation in (3).
3. Prepare a short presentation on your findings.