**EFFECTIVE FINANCIAL MANAGEMENT**

**Learning Outcome 2: ACTIVITY 7**

**Per-cent of sales method**

Using this technique, most projected balances are forecast as a percentage of the sales revenues that are forecast for a period. Extracts from the financial statements of Clutterbuck Ltd and additional information are provided below.

**Income statement for the year ended 31 March 2017**

 $000

Credit sales revenue 800

Cost of sales (600)

Gross profit 200

Selling expenses (80)

Distribution costs (20)

Other expenses (20)

Profit before taxation 80

Taxation (25%) (20)

Profit for the year 60

Additional information:

(1) Credit sales revenues are expected to increase by 10% in the year to 31 March 2018.

(2) The tax rate for the year ended 31 March 2018 will be 35%.

#### Required: Individually and then in pairs to check each other’s work

1. Use the information in the case study and the per-cent-of-sales method to prepare a projected income statement for the year ended 31 March 2018.