

(12-6)
Additional Funds
Needed

The Booth Company's sales are forecasted to double from \$1,000 in 2013 to \$2,000 in 2014. Here is the December 31, 2013, balance sheet:

Cash	\$ 100	Accounts payable	\$ 50
Accounts receivable	200	Notes payable	150
Inventories	200	Accruals	50
Net fixed assets	500	Long-term debt	400
		Common stock	100
		Retained earnings	<u>250</u>
Total assets	<u><u>\$1,000</u></u>	Total liabilities and equity	<u><u>\$1,000</u></u>

Booth's fixed assets were used to only 50% of capacity during 2013, but its current assets were at their proper levels in relation to sales. All assets except fixed assets must increase at the same rate as sales, and fixed assets would also have to increase at the same rate if the current excess capacity did not exist. Booth's after-tax profit margin is forecasted to be 5% and its payout ratio to be 60%. What is Booth's additional funds needed (AFN) for the coming year?