

Homework — Forecasting the Financing Gap

Required questions - turn in to the TAs

Homework for Week 3. Each set belongs to the video of the same number. **One question in each set is required**; answer it and turn it in to the TAs. The rest are optional practice, and worked answers to those are published alongside the set. A full set takes about twenty minutes. Work them before the case session.

Homework · 3.1

1. Give one reason a forecast can be decision-useful even when its point estimate is almost certainly wrong.

Homework · 3.2

1. Sales are forecast at GH¢24M. Historical inventory-to-sales ratios are 11%, 13%, and 12%. Forecast inventory using the average, and state when you would reject that method.

Homework · 3.3

1. Forecast net income for a firm with sales of GH¢20M, gross margin 30%, SG&A 18% of sales, depreciation GH¢800K, interest GH¢500K, and a 25% tax rate.

Homework · 3.4

1. A firm projects total assets of GH¢58M. Its projected payables are GH¢9M, short-term debt is held at GH¢4M, existing long-term debt is GH¢20M, and projected equity is GH¢21M. Compute the financing gap.

Homework · 3.5

1. A firm has opening equity of GH¢30M, net income of GH¢6M, and pays dividends of GH¢2.4M. Compute its sustainable growth rate.

Homework · 3.6

1. A model has six assumptions. Changing five of them by 10% each moves the output by less than 2%. Changing the sixth by 10% moves the output by 40%. What should the analyst do next, and what should appear in the write-up?