# 

# CHAPTER 5:

# FINANCIAL ASPECT

**Financial Assumptions**

The following are the assumptions that will affect the financial statements which are made by the entity:

1. Chill Cut uses calendar basis on reporting its Financial Statements, Notes, and Schedules.
2. Chill Cut divides its net income equal to capital investment by partners.
3. The Tax Rates for computing net income is 30 per cent.
4. The entity recognizes Final Withholding Tax to be deducted on the Net Income after Taxes, which will be distributed to each partner.
5. The rate used for computing VAT is 12 per cent.
6. Advertising Expenses is based on Chapter 1, Marketing Program
7. The unit of purchases of materials which is used to produce certain dishes and beverages is based on assumed units.
8. The entity has 2 sources of income,
9. Revenue from Barbershop Service
10. Revenue from Dining Services
11. Sales from Barbershop and Dining is based on forecasted customers.
12. Ending Materials rate is 10 per cent, which implies as the Ending Inventory for the year-end.
13. The rate of increase for Purchase of Raw Materials is 5 per cent.
14. Sales every year increases by 8 per cent.
15. Withholding Tax Rate is based at 5 per cent.
16. Due to inflation rate of the current economy, average inflation rate is at 2%. Thus, Utilities Expense for Electricity and Water, Supplies Expense increases by 2% annually.
17. The salaries of employees will increase after the Return on Investment is met.