**Chips (Year 1) Assignment**

**Names in Group:** Clay, Ben, & Evan

***Part 1***

1. List 3 things that caused the poor performance.

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| * Days of Accounts Payable decreased from 48 to 10, ultimately leading to less cash on hand. |
| * They expected to sell 4% more cookies in 2020 but sold 7.27% less cookies compared to the previous year. |
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1. List 3 things that were favorable for the year.

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| * Inventory was reduced, leading to more cash on hand. |
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1. Create a proforma balance sheet (Proforma 1) with A/R and Cash correctly restated to reflect the 3-day delay in receiving cash from the credit card processors. Show the Current Assets section of the Proforma 1 balance sheet.
2. Using the new proforma (Proforma 1), calculate the number of days of cash for expenses that Chips had on hand at the end of 2020.  Show the calculations. Comment on the number of days of cash on hand.

**Part 2**

1. What happened to A/P in 2020 as compared to 2019? Comment on the difference and the impact of the change.
2. Using Proforma 1, create and show a new proforma (Proforma 2) income statement and balance sheet based on the potential changes to working capital management.
3. List the key assumptions made in the creation of Proforma 2.
4. List 3 other potential areas of improvement.