Question 9

80

(a)

Sales Budget	**Micro**	**Excel**	
Expected sales in units	11,000	6,500	
Expected selling price per unit	€240	€300	
Budgeted sales revenue	€2,640,000	€1,950,000	€4,590,000

Production budget		**Micro Units**	**Excel Units**
Required by sales	[6]	11,000	6,500
Add Closing stock (80% of opening stock)	[6]	640	440
		11,640	6,940
Less Opening stock	[4]	(800)	(550)
Budgeted production in units		**10,840**	**6,390**

(b) Raw Materials Purchases Budget

		Material X Kgs		**Material Y Kgs**		
Required by production –						
Micro	(10,840 x 6)	65,040	[2]	54,200	[2]	(10,840 x 5)
Excel	(6,390 x 4)	25,560	[2]	44,730	[2]	(6,390 x 7)
		90,600		98,930		
Add Closing stock (80% of opening stock)		5,600	[2]	4,000	[2]	
		96,200		102,930		
Less Opening stock		(7,000)	[2]	(5,000)	[2]	
Required purchases of raw materials in Kg's		89,200		97,930		
Purchase Price		€2	[2]	€4	[2]	
Purchase cost		**€178,400**		**€391,720**		**€570,120**

(c) Production Cost/Manufacturing Budget

Cost of raw materials consumed:		**€**	**€**	
Opening stock of raw materials				
X	(7,000 x 1.80)	12,600		
Y	(5,000 x 3.60)	18,000	30,600	[4]
Purchases	(178,400 + 391,720)		570,120	[2]
			600,720	
Less Closing stock of raw materials				
X	(5,600 x 2)	11,200		
Y	(4,000 x 4)	16,000	(27,200)	[4]
			573,520	
Cost of Labour	(10,840 x 7 x 12)	910,560		
	(6,390 x 8 x 12)	613,440	1,524,000	[4]
Variable overheads	(10,840 x 7 x5)	379,400		
	(6,390 x 8 x 5)	255,600	635,000	[4]
Fixed overheads			180,400	[2]
Cost of manufacture			**2,912,920**	[3]

(d) Budgeted Trading Account

			€	€
Sales of finished goods	(2,640,000 + 1,950,000)			4,590,000 [2]
Opening stock of finished goods				
Micro	(800 x 130)	104,000		
Excel	(550 x 150)	82,500	186,500 [2]	
Cost of Manufacture			2,912,920 [2]	
			3,099,420	
Less Closing stock of finished goods				
Micro	(640 x 160)	102,400		
Excel	(440 x 184)	80,960	(183,360) [4]	(2,916,060)
Gross Profit				1,673,940 [3]

(e)

[6]

Cash Budget

A Cash Budget is a plan or forecast that summarises the expected inflows and outflows of cash during a period. This budget is prepared by the management accountant or the financial accountant.

A cash budget will anticipate periods when the organization will have cash surpluses and will enable it to arrange short term investments.

A cash budget will anticipate periods when the organization will have cash deficits and will enable it to make arrangements for a loan or overdraft.

A cash budget will help in making sure that there is always enough funds available to meet the day to day needs of the business.

[2]

Principal Budget Factor: Apart from sales demand the principal budget factor could also be:

Availability of materials
Availability of labour
Capacity of the plant
Availability of capital