9. Cash Budgeting

O'Toole had the following Assets and Liabilities at 1st Jan 2002

	€	€
Assets		
Stock	47,250	
Debtors	8,000	
Cash	1,500	
Rates prepaid (3 months)	600	57,350
Liabilities		
Capital		57,350

O'Toole expects the sales for the next 7 months will be as follows:

Jan	Feb	March	April	May	June	July
€63,000	€81,000	€75,000	€69,000	€72,000	€75,000	€87,000

(i) 80% of sales are for cash and 20% are on credit, collected one month after sale.

(ii) Gross profit as percentage of sales is 25%.

(iii) O'Toole wishes to keep a minimum cash balance of €6,000 at the end of each month.

(iv) All borrowings are in multiples of a thousand euro and interest is at the rate of 10% per annum.

(v) Purchases each month should be sufficient to cover the following month's sales.

(vi) Purchases are paid for by the end of the month.

(vii) Purchased machine on Feb 1 for €12,000 (Depreciation 15% per annum on cost).

(viii) O'Toole rents the premises for €24,000 per annum payable each month.

(ix) Wages amounting to €12,500 are paid each month.

(x) Purchased for cash on 1 April a computer for €2,200 (Depreciation of 20% per annum on cost).

(xi) Rates paid for 6 months from 1 April were €2,400 (paid in April).

(xii) One quarter of the money borrowed on 31/1/2002 is to be repaid at the end of June together with interest to date on the repaid amount.

You are required to prepare a:

(a) Cash budget for the six month period from January to June.

(b) Budgeted Profit and Loss (Pro-forma income statement) for the six months ended 30/6/2002.

(80 marks)