

QUESTION 9 – Budgeting

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(a)

Cash Budget (Forecast) Jan/June

	Jan €	Feb €	Mar €	April €	May €	June €
Receipts						
Cash sales receipts	50,400 ^①	64,800 ^①	60,000 ^①	55,200 ^①	57,600 ^①	60,000 ^①
Credit sales receipts 1 month	<u>8,000^②</u>	<u>12,600^①</u>	<u>16,200^①</u>	<u>15,000^①</u>	<u>13,800^①</u>	<u>14,400^①</u>
	<u>58,400</u>	<u>77,400</u>	<u>76,200</u>	<u>70,200</u>	<u>71,400</u>	<u>74,400</u>
Payments						
Machinery		12,000 ^①				
Purchases - materials	60,750 ^②	56,250 ^②	51,750 ^②	54,000 ^②	56,250 ^②	65,250 ^②
Rent	2,000 ^①	2,000 ^①	2,000 ^①	2,000 ^①	2,000 ^①	2,000 ^①
Computer				2,200 ^①		
Rates				2,400 ^①		
Loan repayment and interest						5,729 ^③
Wages/Labour	<u>12,500^①</u>	<u>12,500^①</u>	<u>12,500^①</u>	<u>12,500^①</u>	<u>12,500^①</u>	<u>12,500^①</u>
	<u>75,250</u>	<u>82,750</u>	<u>66,250</u>	<u>73,100</u>	<u>70,750</u>	<u>85,479</u>
Net monthly Cash Flow	(16,850) ^①	(5,350) ^①	9,950 ^①	(2,900) ^①	650 ^①	(11,079) ^①
Bank loan – Financing ^③	22,000 ^①	5,000 ^①				4,000 ^①
Opening balance	<u>1,500^①</u>	<u>6,650</u>	<u>6,300</u>	<u>16,250</u>	<u>13,350</u>	<u>14,000</u>
Closing balance	<u>6,650</u>	<u>6,300</u>	<u>16,250</u>	<u>13,350</u>	<u>14,000</u>	<u>6,921^④</u>

(b)

Budgeted Income Statement for 6 months ended 30/6/2002

	€	€
Sales:		435,000.00 ^①
Less Cost of sales (75% of €435,000)		
Opening Stock	47,250.00 ^①	
Purchases	344,250.00 ^①	
	391,500.00	
Less Closing stock (75% of July sales)	<u>65,250.00^①</u>	<u>326,250.00</u>
Gross profit		108,750.00
Less Expenses		
Wages	75,000.00 ^①	
Rent	12,000.00 ^①	
Rates less prepaid	1,800.00 ^④	
Interest	1,084.00 ^③	
Depreciation - Machinery	750.00 ^②	
- Computer	<u>110.00^②</u>	<u>90,744.00</u>
Profit		<u>18,006.00^③</u>
W 1 Interest €5,500 for 5 months at 10%	=	229
W 2 Interest €22,000 for 5 months at 10%	=	917
5,000 for 4 months at 10%	=	<u>167</u>
		1,084

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