

**Question 9 – solution**

(a) **58**

**Cash Budget – July to December**

<b>Receipts</b>	<b>Jul</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Total</b>
Cash Sales Rec	121,125 <sup>[1]</sup>	125,400 <sup>[1]</sup>	165,300 <sup>[1]</sup>	168,150 <sup>[1]</sup>	171,000 <sup>[1]</sup>	185,820 <sup>[1]</sup>	936,795
Credit Sales 1 month		148,750 <sup>[1]</sup>	154,000 <sup>[1]</sup>	203,000 <sup>[1]</sup>	206,500 <sup>[1]</sup>	210,000 <sup>[1]</sup>	922,250
Credit Sales 2 months			148,750 <sup>[1]</sup>	154,000 <sup>[1]</sup>	203,000 <sup>[1]</sup>	206,500 <sup>[1]</sup>	712,250
	<b>121,125</b>	<b>274,150</b>	<b>468,050</b>	<b>525,150</b>	<b>580,500</b>	<b>602,320</b>	<b>2,571,295</b>
<b>Payments</b>							
Purchases		98,000 <sup>[1]</sup>	105,350 <sup>[1]</sup>	123,480 <sup>[1]</sup>	127,400 <sup>[1]</sup>	171,500 <sup>[1]</sup>	625,730
Purchases			100,000 <sup>[1]</sup>	107,500 <sup>[1]</sup>	126,000 <sup>[1]</sup>	130,000 <sup>[1]</sup>	463,500
Wages	35,000 <sup>[3]</sup>	35,000	35,000	35,000	35,000	35,000	210,000
Variable overhead	85,000 <sup>[1]</sup>	88,000 <sup>[1]</sup>	116,000 <sup>[1]</sup>	118,000 <sup>[1]</sup>	120,000 <sup>[1]</sup>	130,400 <sup>[1]</sup>	657,400
Fixed overhead	41,250 <sup>[2]</sup>	41,250 <sup>[1]</sup>	41,250 <sup>[1]</sup>	41,250 <sup>[1]</sup>	41,250 <sup>[1]</sup>	41,250 <sup>[1]</sup>	247,500
Equipment	45,000 <sup>[1]</sup>						45,000
Interest	333 <sup>[2]</sup>	333 <sup>[1]</sup>	333 <sup>[1]</sup>	333 <sup>[1]</sup>	333 <sup>[1]</sup>	333 <sup>[1]</sup>	1,998
	<b>206,583</b>	<b>262,583</b>	<b>397,933</b>	<b>425,563</b>	<b>449,983</b>	<b>508,483</b>	<b>2,251,128</b>
Net monthly cash flow	(85,458) <sup>[1]</sup>	11,567 <sup>[1]</sup>	70,117 <sup>[1]</sup>	99,587 <sup>[1]</sup>	130,517 <sup>[1]</sup>	93,837 <sup>[1]</sup>	320,167
Bank Loan	40,000 <sup>[1]</sup>						40,000
Opening balance		(45,458) <sup>[1]</sup>	(33,891)	36,226	135,813	266,330	
Closing balance	(45,458)	(33,891)	36,226	135,813	266,330	360,167 <sup>[2]</sup>	360,167

(b) **14**

**Budgeted Profit and Loss Account for 6 months ending 31/12/2007**

	€	€
Sales (65,740 @ 50)		3,287,000 <sup>[2]</sup>
<u>Less Cost of Sales</u>		
Material	1,633,000 <sup>[1]</sup>	
Labour (6 x 35,000)	210,000 <sup>[1]</sup>	
Variable overhead	657,400 <sup>[1]</sup>	
Fixed overhead (6 x €41,250)	247,500 <sup>[1]</sup>	(2,747,900)
Gross Profit		539,100
Depreciation – equipment	4,500 <sup>[1]</sup>	
Discount allowed (€3,287,000 x 30% x 5%)	49,305 <sup>[2]</sup>	(53,805)
		485,295
<u>Add Discount Received</u>		12,770 <sup>[2]</sup>
		498,065
<u>Less interest</u>		(2,000) <sup>[1]</sup>
<b>Net Profit</b>		<b>496,065<sup>[2]</sup></b>

(c) **8**

A cash budget is a forecast or plan of cash inflow and cash outflow over a period

Advantages:

Highlights whether enough cash will be available to meet future needs

Helps to give advance knowledge so that overdraft can be arranged if shortfall occurs

Helps to predict future surpluses so that short-term investment can be made