

Question 9**11****(a)**

	Production Budget				
	Jan	Feb	Mar	Apr	May
Sales	8,000 [1]	8,500 [1]	10,000 [1]	11,000 [1]	11,500
+ Closing Stock	<u>5,100 [1]</u>	<u>6,000 [1]</u>	<u>6,600 [1]</u>	<u>6,900 [1]</u>	<u>6,300</u>
	13,100	14,500	16,600	17,900	17,800
- Opening Stock	<u>-</u>	<u>(5,100) [1]</u>	<u>(6,000) [1]</u>	<u>(6,600) [1]</u>	<u>(6,900)</u>
Required for production	13,100	9,400	10,600	11,300	10,900

(b)**13**

	Materials Purchases Budget			
	Jan	Feb	Mar	April
Units of Production	13,100 [½]	9,400 [½]	10,600 [½]	11,300 [½]
Materials per unit	<u>x 4 [½]</u>	<u>x 4</u>	<u>x 4</u>	<u>x 4</u>
Required for production	52,400 [½]	37,600 [½]	42,400 [½]	45,200 [½]
+ Closing stock	<u>3,760 [½]</u>	<u>4,240 [½]</u>	<u>4,520 [½]</u>	<u>4,360 [1]</u>
	56,160	41,840	46,920	49,560
- Opening stock	<u>-</u>	<u>(3,760) [½]</u>	<u>(4,240) [½]</u>	<u>(4,520) [½]</u>
Required for purchases	56,160 [½]	38,080 [½]	42,680 [½]	45,040 [½]
Price per Kg	<u>€1.50 [½]</u>	<u>€1.50</u>	<u>€1.50</u>	<u>€1.50</u>
Cost of raw materials	<u>€84,240 [½]</u>	<u>€57,120 [½]</u>	<u>€64,020 [½]</u>	<u>€67,560 [½]</u>

(c)

Cash Budget – January to April

	Jan	Feb	Mar	April
Receipts				
Cash sales received	72,000 [1]	76,500 [1]	90,000 [1]	99,000 [1]
Credit Sales one month		84,000 [1]	89,250 [1]	105,000 [1]
Credit Sales two months			84,000 [1]	89,250 [1]
	<u>72,000</u>	<u>160,500</u>	<u>263,250</u>	<u>293,250</u>
Payments				
Purchases		84,240 [1]	57,120 [1]	64,020 [1]
Wages	20,000 [1]	20,000 [1]	20,000 [1]	20,000 [1]
Variable Overhead	65,500 [1]	47,000 [1]	53,000 [1]	56,500 [1]
Fixed overhead	28,500 [1]	28,500 [1]	28,500 [1]	28,500 [1]
Equipment	30,000 [1]			
Interest	200 [1]	200 [1]	200 [1]	200 [1]
	<u>144,200</u>	<u>179,940</u>	<u>158,820</u>	<u>169,220</u>
Net Monthly Cash Flow	(72,200) [1]	(19,440) [1]	104,430 [1]	124,030 [1]
Bank Loan	24,000 [1]			
Opening Balance		(48,200) [1]	(67,640) [1]	36,790 [1]
Closing Balance	<u>(48,200)</u>	<u>(67,640)</u>	<u>36,790</u>	<u>160,820</u>

(d)

Budgeted Trading and Profit and Loss Account for the 4 months ending 30/4/2010

	€	€	€
Sales			1,125,000 [1]
Less Cost of Sales			
Opening stock		-	
Purchases		272,940 [1]	
		272,940	
Closing stock – Finished goods (6,900 x 20)	138,000 [1]		
Raw materials (4,360 x 1.50)	6,540 [1]	(144,540) [1]	(128,400)
Gross Profit			996,600
Less Expenses			
Wages		80,000 [1]	
Variable overheads		222,000 [1]	
Fixed overhead		114,000 [1]	
Depreciation – Equipment		2,000 [1]	(418,000)
Operating Profit			578,600
Less interest			(800) [1]
Net Profit			<u>577,800 [3]</u>

(e)

- Last year sales
- Market research/Opinion of Sales manager and sales representatives
- Trends/State of Economy
- Price to be charged
- Competition
- Luxuries versus necessities