Question 9

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(a)

Cash Budget July to December

Receipts	**Jul**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**Total**
Cash Sales Receipts	155,800[1]	163,400[1]	212,800[1]	220,400[1]	231,800[1]	239,400[1]	1,223,600
Cr Sales 1 month		123,000[1]	129,000[1]	168,000[1]	174,000[1]	183,000[1]	777,000
Cr sales 2 months			123,000[1]	129,000[1]	168,000[1]	174,000[1]	594,000
	155,800	**286,400**	**464,800**	**517,400**	**573,800**	**596,400**	**2,594,600**
Payments							
Purchases 1 month		93,100[1]	102,900[1]	117,600[1]	122,500[1]	161,700[1]	597,800
Purchases 2 months			95,000[1]	105,000[1]	120,000[1]	125,000[1]	445,000
Wages	40,000[3]	40,000	40,000	40,000	40,000	40,000	240,000
Variable overhead	102,500[1]	107,500[1]	140,000[1]	145,000[1]	152,500[1]	157,500[1]	805,000
Fixed overhead	44,200[3]	44,200[1]	44,200[1]	44,200[1]	44,200[1]	44,200[1]	265,200
Equipment	48,000[1]						48,000
Interest	330[3]	330[1]	330[1]	330[1]	330[1]	330[1]	1,980
	235,030	**285,130**	**422,430**	**452,130**	**479,530**	**528,730**	**2,402,980**
Net Cash	(79,230)[1]	1,270[1]	42,370[1]	65,270[1]	94,270[1]	67,670[1]	191,620
Bank Loan	44,000[1]	44,000					
Opening balance		(35,230)[1]	(33,960)	8,410	73,680	167,950	
Closing balance	**(35,230)**	**(33,960)**	**8,410**	**73,680**	**167,950**	**235,620**[3]	**235,620**

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(b)

Budgeted Profit and Loss Account

	€	€
Sales (80,500 @ 40)		3,220,000 [2]
Less Cost of Sales		
Purchased - materials	1,570,000 [1]	
Labour (6 x 40,000)	240,000 [1]	
Variable overhead	805,000 [1]	
Fixed overhead (6 x 44,200)	265,200 [1]	(2,880,200)
Gross Profit		339,800
Depreciation – equipment	4,800 [1]	
Discount allowed	64,400 [2]	(69,200)
		270,600
Add Discount received		12,200 [1]
		282,800
Less interest		(1,980) [1]
Net Profit		**280,820** [2]

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(c)

An adverse variance is when actual costs exceed the budgeted costs. Adverse variances may arise in direct material costs because of an increase in the price of materials or an increase in quantities used.