

9. Production Budgeting

(80)

(a) Production Budget for the four months January to April, 2012

(11)

	Jan.	Feb.	Mar.	Apr.	May
Sales (units)	6,200 (1)	6,800 (1)	7,400 (1)	7,800 (1)	9,000
+ Closing Stock	2,720 (1)	2,960 (1)	3,120 (1)	3,600 (1)	4,080
	8,920	9,760	10,520	11,400	13,080
– Opening Stock	—	*(2,720)(1)	*(2,960)(1)	*(3,120)(1)	(3,600)
Production (units)	8,920	7,040	7,560	8,280	9,480

* Accept student's own figures.

(b) Materials Purchase Budget (in units and €) for the four months January to April, 2012

(13)

	Jan.	Feb.	Mar.	Apr.
Production (units)	8,920 (½)	7,040 (½)	7,560 (½)	8,280 (½)
Materials per Unit	* × 6 (½)	× 6	× 6	× 6
Materials required	53,520 (½)	42,240 (½)	45,360 (½)	49,680 (½)
+ Closing Stock	8,448 (½)	9,072 (½)	9,936 (½)	11,376 (1)
	61,968	42,864	55,296	61,056
– Opening Stock	—	(8,448)(½)	(9,072)(½)	(9,936)(½)
Materials Purchases (units)	61,968 (½)	42,864 (½)	46,224 (½)	51,120 (½)
Unit Price	* €2 (½)	€2	€2	€2
Materials Purchases (€)	123,936 (½)	85,728 (½)	92,448 (½)	102,240 (½)

* Accept correct figures only.

** Allow marks for student's own figure if consistent with previous work.

(c) Cash Budget for the four months January to April, 2012

(37)

	Jan.	Feb.	Mar.	Apr.
Receipts	€	€	€	€
Cash Sales receipts	74,400 (1)	81,600 (1)	88,800 (1)	93,600 (1)
Credit Sales receipts (1 month)	—	148,800 (1)	163,200 (1)	177,600 (1)
Credit Sales receipts (2 month)	—	—	148,800 (1)	163,200 (1)
Total	74,400	230,400	400,800	434,400
Payments				
Purchases*	—	*123,936 (1)	*85,728 (1)	*92,448 (1)
Wages	30,000 (1)	30,000 (1)	30,000 (1)	30,000 (1)
Variable Overheads*	107,040 (1)	84,480 (1)	90,720 (1)	99,360 (1)
Fixed Overheads	35,000 (1)	35,000 (1)	35,000 (1)	35,000 (1)
Equipment	72,000 (1)	—	—	—
Interest	600 (1)	600 (1)	600 (1)	600 (1)
Total	244,640	274,016	242,048	257,408
Net Monthly Cash Flow*	(170,240)(1)	(43,616)(1)	158,752 (1)	176,992 (1)
Bank Loan - Financing	60,000 (1)	—	—	—
Opening balance*	—	(110,240)(1)	(153,856)(1)	4,896 (1)
Closing balance	(110,240)	(153,856)	4,896	181,888

* Allow marks for student's own figure if consistent with previous work.

- (d) Budgeted Trading and Profit and Loss for the four months ending 30/4/2012
(if the budgeted cost of a unit of finished goods is €40)

(11)

Budgeted Trading and Profit and Loss for the four months ending 30/4/2012

	€	€	€
Sales			1,692,000 (1)
<i>Less</i> <u>Cost of Sales</u>			
Opening Stock		—	
Purchases		*404,352 (1)	
		404,352	
Closing Stock - Finished Goods (3,600 × 40)	*144,000 (1)		
- Raw Materials (11,376 × 2)	*22,752 (1)	(166,752)	(237,600)
Gross Profit			1,454,400
<i>Less</i> Expenses			
Wages		120,000 (1)	
Variable Overheads		*381,600 (1)	
Fixed Overheads		*140,000 (1)	
Depreciation – Equipment		4,000 (1)	
Interest		*2,400 (1)	(648,000)
Net Profit			**806,400 (2)

* Allow marks for student's own figure if consistent with previous work.

** Accept correct figure only.

- (e) Define 'cash budget' and describe **two** of its advantages.

(8)

Cash Budget (4)

– a forecast or plan (1) of cash inflow (1) and cash outflow (1) over a period of time (1)

Advantages

Any 2: (2 × 2)

- 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 investments can be made // *etc.*

** Accept other appropriate answers.