

CASH BUDGET FOR 6 MONTHS JULY TO DECEMBER

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Receipts	JULY	AUGUST	SEPT	OCT	NOV	DEC	TOTAL				
	€	€	€	€	€	€	€				
Cash sales	136,800[2]	159,600[1]	164,160[1]	165,300[1]	171,000[1]	185,250[1]	982,110				
month 1		168,000[1]	196,000[1]	201,600[1]	203,000[1]	210,000[1]	978,600				
month 2			168,000[1]	196,000[1]	201,600[1]	203,000[1]	768,600				
Loans											
Total receipts	136,800	327,600	528,160	562,900	575,600	598,250	2,729,310				
payments											
purchases month 1		141120[2]	164640[1]	169050[1]	171500[1]	176400[1]	822,710				
purchases month 2			144,000[1]	168,000[1]	172,500[1]	175,000[1]	659,500				
Wages	40,000[2]	40,000	40,000	40,000	40,000	40,000	240,000				
Variable overheads	60,000[1]	70,000[1]	72,000[1]	72,500[1]	75,000[1]	81,250[1]	430,750				
Fixed overheads	79,370[3]	79,370	79,370	79,370	79,370	79,370	476,220				
Machinery	40,000[1]						40,000				
loan repayment		2,000[1]	2,000	2,000	2,000	2,000	10,000				
Interest	120[1]	110[1]	100[1]	90[1]	80[1]	70[1]	570				
Total payments	219,490	332,600	502,110	531,010	540,450	554,090	2,679,750				
Net Cash	(82,690)[1]	(5,000)[1]	26,050[1]	31,890[1]	35,150[1]	44,160[1]	49,560				
Opening Cash	0	(58,690)[1]	(63,690)	(37,640)	(5,750)	29,400					
Loan	24,000[1]						24,000				
Closing cash	(58,690)	(63,690)	(37,640)	(5,750)	29,400	73,560[4]	73,560				

(b)

(B) Budgeted profit and loss account for 6 months ended 31/12/22			
		€	€
Sales (42,400 x 80)			3,446,000 [1]
Less Cost of sales			
Purchases		2,059,000[1]	
Labour (40,000 x 6)		240,000 [1]	
Variable overheads		430,750 [1]	
Fixed overheads (79,370 x 6)		476,220 [1]	
			3,205,970
Gross Profit			240,030
Dep - Machinery		3,780[1]	
Discount allowed (3446000 x .03 x .05)		51,690[3]	55,470
			184,560
Discount received (1,679,000 x 0.5x 0.02)			16,790[3]
			201,350
Less: interest			570[2]
Net Profit			200,780[3]

(c) The principal budget factor is that aspect of the business that limits or constraints the activity of the firm. Sales volume is the most common principal budget factor and is usually the starting point in the budgeting process.

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Other examples include:

- The output capacity of the machinery.
- The amount of the raw-materials available.
- The availability of skilled labour.
- The ability to dispose of by-product.
- The carbon emission of the firm may become important limiting factors in the future

I would advise the business to arrange an overdraft facility, to a maximum of €63,690 for the months where they will have a deficit .

I would advise them to hire rather than buy the equipment until cashflow builds up.

I would advise the firm to attempt to encourage more cash sales, greater than 30%, and debtors to pay within 1 month to increase cashflow in July and August.

I would examine my fixed and variable overheads along with wages to see if they can be reduced further.