
Cash Budgets

Din LTD

2012

Step By Step Approach

PART A

Part A is asking you to Prepare a cash budget for four months. The budget will look like the following

Cash budget for Dim Ltd for the six months July to December 2012.							
Receipts	July	Aug	Sept	Oct	Nov	Dec	Total
Cash Sales	197,600	205,200	231,800	239,400	243,200	250,800	1,368,000
Credit Sale 1		156,000	162,000	183,000	189,000	192,000	882,000
Credit Sale 2			156,000	162,000	183,000	189,000	690,000
Total Receipts	197,600	361,200	549,800	584,400	615,200	631,800	2,940,00
Payments							
Purchases Cr 1		107,800	117,600	132,300	137,200	176,400	671,300
Purchases Cr 2			110,000	120,000	135,000	140,000	505,000
Wages	50,000	50,000	50,000	50,000	50,000	50,000	300,000
Variable OH	104,000	108,000	122,000	126,000	128,000	132,000	720,000
Fixed OH	59,100	59,100	59,100	59,100	59,100	59,100	354,600
Equipment	54,000						54,000
Loan Repayment		2,000	2,000	2,000	2,000	2,000	10,000
Loan interest	240	230	220	210	200	190	1,290
Total Payments	267,240	327,130	460,920	489,610	511,500	559,690	2,616,190
Net Cash	(69,740)	(34,070)	88,880	94,790	103,700	72,110	323,810
Add Op. Cash		(21,740)	12,330	101,210	196,000	299,700	
Add Bank Loan	48,000						36,000
Closing Cash	(21,740)	12,330	101,210	196,000	299,700	371,810	371,810

NOTE - You don't have to complete the total column but the closing cash for December and the closing cash for the Total Column must be the same - this can be a way to check if the question has been completed correctly - TIMING MAY BE AN ISSUE HERE

Important totals are as follows. These will be needed for part B when you will have to prepare a budgeted profit and loss account.

Wages	Variable Overheads
Fixed Costs	Loan Interest

Remember to include - Discount, interest and depreciation as well for part B

RECEIPTS

An adjustment is needed here

This is the income for the business over a six-month period. In the question under part (ii) It gives you cash customer and credit customers

Cash and Credit Receipts

1. Cash customer says that 40% of sales revenue will be for immediate cash. (The sales revenue figure for each month will be given in the question)
 - a. Calculate the 40% of Revenue (this is given in the question). This will be the cash figure but 5% needs to be taken away for discount allowed
2. Credit customer are 60% of sales revenue. These debtors will pay their bills 50% in the month after sales and the remainder in the second month after sales.

Sales revenue for each month

	July	Aug	Sept	Oct	Nov	Dec	Total
Sales	520,000	540,000	610,000	630,000	640,000	660,000	3,600,000

Taken from the question

Workings**July**Cash Sales

€520,000 * 40%

Taken from the question

(-) €208,000

€312,000

Credit Sales

€312,000 * 50%

(-) €156,000 Month 1 Credit sales Aug

€156,000 Month 2 Credit sales Sept

€208,000 * 5%

€10,400

Discount

€197,600

Cash sales July

AugustCash Sales

€540,000 * 40%

Taken from the question

(-) €216,000

€324,000

Credit Sales

€324,200 * 50%

(-) €162,000 Month 1 Credit sales Sept

€162,000 Month 2 Credit sales Oct

Cash Budget

Dim Ltd
(2012)

€216,000 * 5%

€10,800

Discount

€205,200

Cash sales August

September

Cash Sales

€610,000 * 40%

Taken from the question

(-) €244,000

€366,000

Credit Sales

€366,000 * 50%

(-) €183,000

Month 1 Credit sales Oct

€183,000

Month 1 Credit sales Nov

€244,000 * 5%

€12,200

Discount

€231,800

Cash sales Sept

October

Cash Sales

€630,000 * 40%

Taken from the question

(-) €252,000

€378,000

Credit Sales

€378,000 * 50%

(-) €189,000

Month 1 Credit sales Oct

€189,000

Month 1 Credit sales Nov

€252,000 * 5%

€12,600

Discount

€112,100

Cash sales Oct

November

Cash Sales

€640,000 * 40%

Taken from the question

(-) €256,000

€384,000

Credit Sales

€384,000 * 50%

(-) €192,000

Month 1 Credit sales Oct

€192,000

Month 1 Credit sales Nov

€256,000 * 5%

€12,800

Discount

€112,100

Cash sales Nov

DecemberCash Sales

€660,000 * 40%

(-) €264,000

€396,000

Taken from the question

Cash sales Oct

Cash sales Dec

Credit Sales

€396,000 * 50%

(-) €198,000 Debtors

€198,000 Debtors

€264,000 * 5%

€6,250

€13,200

Discount

Cash sales Dec

Remember - we have discount allowed as well in this question. Discount allowed is an expense and we will need a total for this figure for Part B - Prepare a budget profit and loss account.

Discount Allowed

July €10,400

August €10,800

September €12,200

October €12,600

November €12,800

December €13,200

€72,000

Part B - Budget Profit and Loss account

Receipts	July	Aug	Sept	Oct	Nov	Dec	Total
Cash Sales	197,600	205,200	231,800	239,400	243,200	250,800	1,368,000
Credit Sale 1		156,000	162,000	183,000	189,000	192,000	882,000
Credit Sale 2			156,000	162,000	183,000	189,000	690,000

Debtors Figure

NOTE - The November figure for credit sale (2 months) of €192,000, the December figure of €264,000 (credit sale 1 and credit sale 2) would be the debtor's figure if you were asked to complete a balance sheet

Total Receipts

An adjustment is needed here

- To calculate the Total Receipts, we add up the figures cash sale and credit sales for each month

Receipts	July	Aug	Sept	Oct	Nov	Dec	Total
Cash Sales	197,600	205,200	231,800	239,400	243,200	250,800	1,368,000
Credit Sale 1		156,000	162,000	183,000	189,000	192,000	882,000
Credit Sale 2			156,000	162,000	183,000	189,000	690,000
Total Receipts	197,600	361,200	549,800	584,400	615,200	631,800	2,940,00

<u>PAYMENTS</u>

We keep working down through the question. The next Adjustment (iii), relates to purchases

'The purchases will be paid for 50% in the month after purchase when a 2% cash discount will be received. The remaining purchases will be paid for in the second month after purchase'

Purchases

An adjustment is needed here

- See part (iv) from the question - it says

'one month's credit is receive from suppliers'

Credit Purchases

- We pay our creditors 50% in the month after purchase with a 2% discount (Discount received)
 - Calculate the 50% of purchases (this is given in the question). This will be the credit figure for month 1 but 2% needs to be taken away for discount allowed
- The remainder will be paid two months after purchase

Workings

<u>July</u>		<u>August</u>	
<u>Credit purchases</u>		<u>Credit purchases</u>	
€220,000 * 50%	from the question	€240,000 * 50%	from the question
<u>(-) €110,000</u>		<u>(-) €120,000</u>	
€110,000	Credit 2 Sept	€120,000	Credit 2 Oct
€110,000 * 2%		€120,000 * 2%	
<u>€2,200</u>	Discount received	<u>€2,400</u>	Discount received
€107,800	Credit 1 Aug	€117,600	Credit 1 Sept
<u>Sept</u>		<u>Oct</u>	
<u>Credit purchases</u>		<u>Credit purchases</u>	
€270,000 * 50%	from the question	€280,000 * 50%	from the question
<u>(-) €135,000</u>		<u>(-) €140,000</u>	
€135,000	Credit 2 Nov	€140,000	Credit 2 Dec
€135,000 * 2%		€140,000 * 2%	
<u>€2,700</u>	Discount received	<u>€2,800</u>	Discount received
€132,300	Credit 1 Oct	€137,200	Credit 1 Nov
<u>Nov</u>			
<u>Credit purchases</u>			
€360,000 * 50%	from the question		
<u>(-) €180,000</u>			
€180,000	Creditor		
€180,000 * 2%			
<u>€3,600</u>	Discount received		
€176,400	Credit 1 Dec		

Remember - we have discount received as well in this question. Discount received is an income and we will need a total for this figure for Part B - Prepare a budget profit and loss account.

Discount Received

July	€2,200
August	€2,400
September	€2,700
October	€2,800
November	<u>€3,600</u>
	€13,700

Part B - Budget Profit and Loss account

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Total Receipts	197,600	361,200	549,800	584,400	615,200	631,800	2,940,00
Payments							
Purchases Cr 1		107,800	117,600	132,300	137,200	176,400	671,300
Purchases Cr 2			110,000	120,000	135,000	140,000	505,000

Creditors Figure

NOTE - The November figure of €180,000 (credit month 2) and the December figure of €380,000 are not included in the cash budget as we are given a one and 2 month credit period. But these 2 figures added together would be the creditors figure if you were asked to complete a balance sheet

EXPENSES

NOTE -

- Adjustment (iv) will give you the list of the rest of the expenses that will go in the payments section of the cash budget. These include
 - Wages
 - Variable Overheads
 - Fixed Overheads
 - Equipment (Just the figure from the question)
 - Loan Repayment
 - Loan Interest
- Work down through these expenses, complete the working (if needed) and enter the figures into the Cash Budget

Remember not to include depreciation as this is not cash and only cash items are entered into the cash budget but the depreciation for will be included in part B - prepare a budgets trading and profit and loss account for Irwin Ltd

Wages

An adjustment is needed here

1. It tells us under expected costs that

'wages are €50,000 payable as incurred'

2. This means that €50,00 will be entered for each month

Receipts	July	Aug	Sept	Oct	Nov	Dec	Total
Cash Sales	197,600	205,200	231,800	239,400	243,200	250,800	1,368,000
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Payments							
Purchases Cr 1		107,800	117,600	132,300	137,200	176,400	671,300
Purchases Cr 2			110,000	120,000	135,000	140,000	505,000
Wages	50,000	50,000	50,000	50,000	50,000	50,000	300,000

Variable Overheads

An adjustment is needed here

1. It tells us under expected costs that

'Variable overheads €10 per unit, payable as incurred'

2. Variable overhead are overheads that increase when more units are produced (For example Light and heat - the more you use the more you pay, raw materials the more you use the more you pay).
3. To calculate the variable overheads for this question we take the sales figure in the question for each month and divide it by the expected selling price (Part (i)). This will give us the number of units sold for that month

4. This new figure for fixed costs will go in the cash budget and the depreciation figure will go in the Profit and Loss Account (Part D)

5. As part of Capital Cost is says

'equipment costing €54,000 which will have a useful life of 5 years and no residual value will be purchases on 1 July'

To calculate the depreciation, we do the following

$$€54,000 / 5$$

$$€10,800 \quad \text{Depreciation per year}$$

We are doing the cash budget per month, so we need to find the monthly depreciation figure

$$€10,800 / 12$$

$$€900 \quad \text{Depreciation per year}$$

Fixed Overheads €60,000 Taken from the question

Depreciation (€900) See above working (Depreciation per month)

€59,100 Fixed Cost Cash Budget

NOTE

As the €59,100 figure is the fixed overhead figure it will be the same for each month in the cash budget

The depreciation for the budget trading and profit and loss account would be

$$€900 * 6 \text{ Months} = €5,400$$

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Purchases Cr 2			110,000	120,000	135,000	140,000	505,000
Wages	50,000	50,000	50,000	50,000	50,000	50,000	300,000
Variable OH	104,000	108,000	122,000	126,000	128,000	132,000	720,000
Fixed OH	59,100	59,100	59,100	59,100	59,100	59,100	354,600

Equipment

Use the figure that is given in the question

1. It tells us under capital costs that

'Equipment will be purchased on 1 July costing €54,000 which will have a useful life of 5 years.'

2. This means that in July you put €54,000

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Wages	50,000	50,000	50,000	50,000	50,000	50,000	300,000
Variable OH	104,000	108,000	122,000	126,000	128,000	132,000	720,000
Fixed OH	59,100	59,100	59,100	59,100	59,100	59,100	354,600
Equipment	54,000						54,000

Loan Repayments

An adjustment is needed here

1. It tells us under capital costs that

'This will be partly funded by means of a loan of €48,000 at 6% per annum'

and

'The capital sum will be repaid in 24 equal instalments commencing on 1 August'

2. To find out how much the instalments are we take the loan figure from the question and divide it by 36

$$€48,000 / 24 = €2,000 \text{ per month}$$

NOTE - As per the question the repayment on the loan will start in August and the interest will start in July

'The interest for each month is to be paid on the last day of the each month based on the amount of the loan outstanding at that date.'

Receipts	July	Aug	Sept	Oct	Nov	Dec	Total
Cash Sales	197,600	205,200	231,800	239,400	243,200	250,800	1,368,000
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Wages	50,000	50,000	50,000	50,000	50,000	50,000	300,000
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Fixed OH	59,100	59,100	59,100	59,100	59,100	59,100	354,600
Equipment	54,000						54,000
Loan Repayment		2,000	2,000	2,000	2,000	2,000	10,000

Loan Interest

An adjustment is needed here

1. It tells us under capital costs that

'This will be partly financed by means of a loan of €48,000 at 6% per annum'

and

'The interest for each month is to be paid on the last day of the month based on the amount of the loan outstanding at that date'

NOTE -

'based on the amount of the loan outstanding at that date'

This is very important because before you calculate the loan interest, we need to reduce the loan by the loan repayment from the previous month - €2,000 will reduce the principal from the previous month

July

NOTE - The interest repayment will start in July as per the Question

Principal * Rate		Remember the budget is per month, so
€48,000 * 6% Taken form the Question		€2,880 / 12
€2,880	Yearly amount	€240 Monthly amount

August

NOTE - Remember we have paid €2,000 off the principal in the form of a loan repayment. So
 €48,000 - €2,000
 = €46,000

Principal * Rate		Remember the budget is per month, so
€46,000 * 6% Taken form the Question		€2,760 / 12
€2,760	Yearly amount	€230 Monthly amount

September

NOTE - Remember we have paid €2,000 off the principal in the form of a loan repayment. So
 €46,000 - €2,000
 = €44,000

Principal * Rate		Remember the budget is per month, so
€44,000 * 6% Taken form the Question		€2,640 / 12
€2,640	Yearly amount	€220 Monthly amount

October

NOTE - Remember we have paid €2,000 off the principal in the form of a loan repayment. So
 €44,000 - €2,000
 = €42,000

Principal * Rate		Remember the budget is per month, so
€42,000 * 6% Taken form the Question		€2,520 / 12
€2,520	Yearly amount	€210 Monthly amount

November

NOTE - Remember we have paid €2,000 off the principal in the form of a loan repayment. So

€42,000 - €2,000

= €40,000

Principal * Rate

Remember the budget is per month, so

€40,000 * 6% Taken form the Question

€2,400 / 12

€2,400 Yearly amount

€200 Monthly amount

December

NOTE - Remember we have paid 2,000 off the principal in the form of a loan repayment. So

€40,000 - €2,000

= €38,000

Principal * Rate

Remember the budget is per month, so

€38,000 * 6% Taken form the Question

€2,280 / 12

€2,280 Yearly amount

€190 Monthly amount

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Fixed OH	59,100	59,100	59,100	59,100	59,100	59,100	354,600
Equipment	54,000						54,000
Loan Repayment		2,000	2,000	2,000	2,000	2,000	10,000
Loan interest	240	230	220	210	200	190	1,290

Total Payments

An adjustment is needed here

1. To calculate the Total Payment, we add up the figures in the payment section for each column for each month
2. This will include - purchases (Cr 1 and cr 2) + wages + variable overheads + fixed OH + equipment + loan repayment + loan interest

Receipts	July	Aug	Sept	Oct	Nov	Dec	Total
Cash Sales	197,600	205,200	231,800	239,400	243,200	250,800	1,368,000
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Equipment	54,000						54,000
Loan Repayment		2,000	2,000	2,000	2,000	2,000	10,000
Loan interest	240	230	220	210	200	190	1,290
Total Payments	267,240	327,130	460,920	489,610	511,500	559,690	2,616,190

Net Cash

An adjustment is needed here

- To calculate the Net Cash, we take the Total Receipts (A) and take away the Total Payments (B)

Receipts	July	Aug	Sept	Oct	Nov	Dec	Total
Cash Sales	197,600	205,200	231,800	239,400	243,200	250,800	1,368,000
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Equipment	54,000						54,000
Loan Repayment		2,000	2,000	2,000	2,000	2,000	10,000
Loan interest	240	230	220	210	200	190	1,290
B. Total Payments	267,240	327,130	460,920	489,610	511,500	559,690	2,616,190
Net Cash	(69,740)	(34,070)	88,880	94,790	103,700	72,110	323,810

Opening Cash

An adjustment is needed here

1. Remember the closing cash for one month is the opening cash for the next month
For example July's Closing Cash will be August's Opening Cash, August Closing Cash will be September Opening Cash and so forth.

2. There may not be any opening cash for the first month, so we leave it blank or put in Zero (0). If there was any opening cash, it would tell you in the question

NOTE - This part of the question will have to be complete column by column (month by month), this is because you will have to calculate the closing cash for the month, so you have the opening cash for the next month

Cash budget for Retro Ltd for the four months July to December 2016.							
Receipts	July	Aug	Sept	Oct	Nov	Dec	Total
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Add Op. Cash		(21,740)	12,330	101,210	196,000	299,700	
Add Bank Loan	48,000						36,000
Closing Cash	(21,740)	12,330	101,210	196,000	299,700	371,810	371,810

Bank Loan

Use the figure that is given in the question

1. It tells us under capital costs that

'This will be financed by a means of a loan of €48,000 at 6% per annum.'

2. The loan figure will be taken from the question and will be the loan figure that was used to purchase the equipment (€48,000)

Receipts	July	Aug	Sept	Oct	Nov	Dec	Total
Cash Sales	197,600	205,200	231,800	239,400	243,200	250,800	1,368,000
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Total Receipts	197,600	361,200	549,800	584,400	615,200	631,800	2,940,00
Payments							
Purchases Cr 1		107,800	117,600	132,300	137,200	176,400	671,300
Purchases Cr 2			110,000	120,000	135,000	140,000	505,000
Wages	50,000	50,000	50,000	50,000	50,000	50,000	300,000
Variable OH	104,000	108,000	122,000	126,000	128,000	132,000	720,000
Fixed OH	59,100	59,100	59,100	59,100	59,100	59,100	354,600
Equipment	54,000						54,000
Loan Repayment		2,000	2,000	2,000	2,000	2,000	10,000
Loan interest	240	230	220	210	200	190	1,290
Total Payments	267,240	327,130	460,920	489,610	511,500	559,690	2,616,190
Net Cash	(69,740)	(34,070)	88,880	94,790	103,700	72,110	323,810
Add Op. Cash		(21,740)	12,330	101,210	196,000	299,700	
Add Bank Loan	48,000						48,000

Closing Cash

An adjustment is needed here

1. The closing cash is calculated by adding Net Cash, opening cash and bank loan (if any) together

NOTE - Remember the closing cash for one month is the opening cash for the next month

Cash budget for Dim Ltd for the Six months July to December 2012.							
Receipts	July	Aug	Sept	Oct	Nov	Dec	Total
Cash Sales	197,600	205,200	231,800	239,400	243,200	250,800	1,368,000
Credit Sale 1		156,000	162,000	183,000	189,000	192,000	882,000
Credit Sale 2			156,000	162,000	183,000	189,000	690,000
Total Receipts	197,600	361,200	549,800	584,400	615,200	631,800	2,940,00
Payments							
Purchases Cr 1		107,800	117,600	132,300	137,200	176,400	671,300
Purchases Cr 2			110,000	120,000	135,000	140,000	505,000
Wages	50,000	50,000	50,000	50,000	50,000	50,000	300,000
Variable OH	104,000	108,000	122,000	126,000	128,000	132,000	720,000
Fixed OH	59,100	59,100	59,100	59,100	59,100	59,100	354,600
Equipment	54,000						54,000
Loan Repayment		2,000	2,000	2,000	2,000	2,000	10,000
Loan interest	240	230	220	210	200	190	1,290
Total Payments	267,240	327,130	460,920	489,610	511,500	559,690	2,616,190
Net Cash	(69,740)	(34,070)	88,880	94,790	103,700	72,110	323,810
Add Op. Cash		(21,740)	12,330	101,210	196,000	299,700	
Add Bank Loan	48,000						36,000
Closing Cash	(21,740)	12,330	101,210	196,000	299,700	371,810	371,810

NOTE - You don't have to complete the Total Colum but the closing cash for October and the closing cash for the Total Column must be the same - this can be a way to check if the question has been completed correctly - TIMING MAY BE AN ISSUE HERE

NOTE - Remember to include the heading - Cash budget for Dim Ltd for the six months July to December 2012

PART B

Part B is asking you to prepare a budget trading, profit and loss for four months. This will have the same layout as Question one. The budget will look like the following

Budgeted Trading and Profit and Loss Account for the 6 months ended 31/10/2012			
Sales			3,600,000
<u>Less Cost of Sales</u>			
Opening stock		0	
Add Purchases		(+ 1,750,000)	
		1,750,000	
Less Closing Stock		0	
Cost of Goods Sold			(-) 1,750,000
Gross Profit			1,850,000
<u>Less Expenses</u>			
Wages		300,000	
Variable Overheads		(+ 720,000)	
Fixed Overheads		(+ 354,600)	
Depreciation		(+ 5,400)	
Discount Allowed		(+ 72,000)	(-) 1,452,000
Operating Profit			398,000
Discount Received			(+ 13,700)
			411,700
Less Interest			(-) 1,290
Net Profit			410,410

Sales

A calculation is needed here

- The sale figure for the question is got by adding up the sales revenue for each month that is given in the question

	July	Aug	Sept	Oct	Nov	Dec	Total
Sales	520,000	540,000	610,000	630,000	640,000	660,000	3,600,000

Taken from the question

July	€520,000	(Given in the question)
August	€540,000	(Given in the question)
September	€610,000	(Given in the question)
October	€630,000	(Given in the question)
November	€640,000	(Given in the question)
December	<u>€660,000</u>	(Given in the question)
	€3,600,000	

Sales			3,600,000
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Opening Stock

There is no opening stock given to use in this question so we can leave it blank or put in zero (0)

Purchases

A calculation is needed here

- The purchases figure from the question and is got by adding up the purchases for each month that is given in the question

	July	Aug	Sept	Oct	Nov	Dec	Total
Purchases	220,000	240,000	270,000	280,000	360,000	380,000	1,750,000

Taken from the question

July	€220,000	(Given in the question)
August	€240,000	(Given in the question)
September	€270,000	(Given in the question)
October	€280,000	(Given in the question)
November	€360,000	(Given in the question)
December	<u>€380,000</u>	(Given in the question)
	€1,750,000	

Sales			3,600,000
Less Cost of Sales			
Opening stock		0	
Add Purchases		(+) 1,750,000	
		1,750,000	

Closing Stock

No Adjustment Needed

No adjustment is needed here because it does not tell you when the closing stock is and we haven't complete a production budget or raw material product budget

Sales			3,600,000
Less Cost of Sales			
Opening stock		0	
Add Purchases		(+) 1,750,000	
		1,750,000	
Less Closing Stock		0	

Cost of Goods Sold

A calculation is needed here

- To calculate the cost of sales - take the closing stock figure away from the purchases figure (Opening stock + purchases)

Sales			3,600,000
<u>Less Cost of Sales</u>			
Opening stock		0	
Add Purchases		(+) 1,750,000	
		1,750,000	
Less Closing Stock		0	
Cost of Goods Sold			(-) 1,750,000

Gross Profit

A calculation is needed here

- Gross profit is calculated by taking the figure of cost of sales away from the sales figure $€3,600,000 - €1,750,000 = €1,850,000$

Sales			3,600,000
<u>Less Cost of Sales</u>			
Opening stock		0	
Add Purchases		(+) 1,750,000	
		1,750,000	
Less Closing Stock		0	
Cost of Goods Sold			(-) 1,750,000
Gross Profit			1,850,000

Expenses

A calculation is needed here

For the Expenses we work down through the payment's items from the cash budget

- Purchases This item will go in the trading section of the profit and loss account
- Wages €50,000 as per the question (€50,000 * 6 months)
- Variable Overheads add up all the figures for each month to get the total figure.
(€104,000 + €108,000 + €122,000 + €126,000 + €128,000 + €132,000 = €720,000)

4. Fixed Costs add up all the figures for each month to get the total figure.
(€59,100 + €59,100 + €59,100 + €59,100 + €59,100 + €59,100 =
€354,600)
5. Depreciation Also include the depreciation for equipment
(€900 * 6 months = €5,400)
6. Discount allowed add up all the figures for each month from the sale working to
get the discount allowed figure (remember discount allowed is an
expense) (€10,400 + €10,800 + €12,200 + €12,600 + €12,800 +
€13,200 = €72,000)

We add up all the expense figure to get a total

Sales			3,600,000
<u>Less Cost of Sales</u>			
Opening stock		0	
Add Purchases		(+) 1,750,000	
		1,750,000	
Less Closing Stock		0	
Cost of Goods Sold			(-) 1,750,000
Gross Profit			1,850,000
<u>Less Expenses</u>			
Wages		300,000	
Variable Overheads		(+) 720,000	
Fixed Overheads		(+) 354,600	
Depreciation		(+) 5,400	
Discount Allowed		(+) 72,000	(-) 1,452,000

Operating Profit

A calculation is needed here

- Using the Gross Profit figure, we take away the total expense figure away from it to get the operating profit figure - €3,600,000 - €1,452,000 = €398,000

Sales			3,600,000
<u>Less Cost of Sales</u>			
Opening stock		0	
Add Purchases		(+ 1,750,000)	
		1,750,000	
Less Closing Stock		0	
Cost of Goods Sold			(-) 1,750,000
Gross Profit			1,850,000
<u>Less Expenses</u>			
Wages		300,000	
Variable Overheads		(+ 720,000)	
Fixed Overheads		(+ 354,600)	
Depreciation		(+ 5,400)	
Discount Allowed		(+ 72,000)	(-) 1,452,000
Operating Profit			398,000

Add Other income (Discount Received)

A calculation is needed here

The business has received a discount on their purchases

- Discount allowed add up all the figures for each month from the purchases working to get the discount received figure (remember discount received is an income) (€2,200 + €2,400 + €2,700 + €2,800 + €3,600 = €13,700). Remember to add this to the operating profit figure

Remember we get one month's credit, so we don't get a discount for December because we pay for them in January

Sales			3,600,000
<u>Less Cost of Sales</u>			
Opening stock		0	
Add Purchases		(+) 1,750,000	
		1,750,000	
Less Closing Stock		0	
Cost of Goods Sold			(-) 1,750,000
Gross Profit			1,850,000
<u>Less Expenses</u>			
Wages		300,000	
Variable Overheads		(+) 720,000	
Fixed Overheads		(+) 354,600	
Depreciation		(+) 5,400	
Discount Allowed		(+) 72,000	(-) 1,452,000
Operating Profit			398,000
Discount Received			(+) 13,700
			411,700

Less Interest

A calculation is needed here

- The interest figures are already calculated in Part C as part of the cash budget. Add up all the figures for each month to get the total.

Receipts	July	Aug	Sep	Oct	Nov	Dec	Total
Loan interest	240	230	220	210	200	190	1,290

Taken from Part A working - Interest

Sales			3,600,000
<u>Less Cost of Sales</u>			
Opening stock		0	
Add Purchases		(+) 1,750,000	
		1,750,000	
Less Closing Stock		0	
Cost of Goods Sold			(-) 1,750,000
Gross Profit			1,850,000
<u>Less Expenses</u>			
Wages		300,000	
Variable Overheads		(+) 720,000	
Fixed Overheads		(+) 354,600	
Depreciation		(+) 5,400	
Discount Allowed		(+) 72,000	(-) 1,452,000
Operating Profit			398,000
Discount Received			(+) 13,700
			411,700
Less Interest			(-) 1,290

Net Profit

A calculation is needed here

The Net profit figure is calculated by using the Operating profit figure and taking away the interest paid ($€398,000 - €1,290 = €410,410$)

NOTE - Remember to include the heading - Budgeted Trading and Profit and Loss Account for the 6 months ended 31/10/2012

Budgeted Trading and Profit and Loss Account for the 6 months ended 31/10/2012			
Sales			3,600,000
<u>Less Cost of Sales</u>			
Opening stock		0	
Add Purchases		(+ 1,750,000)	
		1,750,000	
Less Closing Stock		0	
Cost of Goods Sold			(-) 1,750,000
Gross Profit			1,850,000
<u>Less Expenses</u>			
Wages		300,000	
Variable Overheads		(+ 720,000)	
Fixed Overheads		(+ 354,600)	
Depreciation		(+ 5,400)	
Discount Allowed		(+ 72,000)	(-) 1,452,000
Operating Profit			398,000
Discount Received			(+ 13,700)
			411,700
Less Interest			(-) 1,290
Net Profit			410,410

PART C

This is the theory part of the question and includes the following

What factors should be taken into account by Din Ltd in arriving at the expected sales of €3,600,000 for the six months of 2012?

1. Last year sales from other stores
2. Market research/ opinion of sales manager and sales representatives
3. Trends/ State of Economy
4. Price to be charged/Sales price
5. Competition
6. Luxuries versus necessities