

F2 - LECTURE EXAMPLE 9

Sales Budget					
	April	May	June	Q2 Totals	Ref.
Budgeted sales in units	1,000	1,200	1,800	4,000	SB1
Selling Price	400	400	380		
Budgeted total sales	400,000	480,000	684,000	1,564,000	SB2

Production Budget						
	Source	April	May	June	Q2 Totals	Ref.
Budgeted sales in units	SB1	1,000	1,200	1,800		
Add: desired closing inventory (10% of next month's sales)		120	180	200		
Total needed		1,120	1,380	2,000		
Less: opening inventory		-100	-120	-180		
Units to be produced		1,020	1,260	1,820	4,100	PB

Direct Materials Budget						
	Source	April	May	June	Q2 Totals	Ref.
Raw Material A						
Units to be produced	PB	1,020	1,260	1,820		
Raw material per finished product		4	4	3		DMB1
Total units needed for production		4,080	5,040	5,460		
Raw material cost per unit		12	12	12		DMB2
Cost of units used in production		48,960	60,480	65,520	174,960	DMB3
Add: desired closing inventory (20% of next month's need)		1,008	1,092	1,600		
Total needs		5,088	6,132	7,060		
Less: opening inventory		-400	-1,008	-1,092		
Raw material to be purchased		4,688	5,124	5,968		
Raw material cost per unit		12	12	12		
Cost of raw material to be purchased		56,256	61,488	71,616		DMB4
Raw Material B						
Units to be produced	PB	1020	1260	1820		
Raw material per finished product		2	2	2		DMB5
Total units needed for production		2040	2520	3640		
Raw material cost per unit		10	10	8		DMB6
Cost of units used in production		20400	25200	29120	74720	DMB7
Add: desired closing inventory (20% of next month's need)		504	728	900		
Total needs		2544	3248	4540		
Less: opening inventory		-200	-504	-728		
Raw material to be purchased		2344	2744	3812		
Raw material cost per unit		10	10	8		
Cost of raw material to be purchased		23440	27440	30496		DMB8

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Direct Labour Budget						
	Source	April	May	June	Q2 Totals	Ref.
Units to be produced	PB	1,020	1,260	1,820		
Direct labour hours per unit		2	2	2		DLB1
Budgeted total direct labour hours		2,040	2,520	3,640		DLB2
Direct labour cost per hour		19	19	19		
Total budgeted direct labour cost		38,026	46,973	67,850	152,849	DLB3
Employee Benefits						
	Source	April	May	June	Q2 Totals	Ref.
Budgeted direct labour wages	DLB3	38,026	46,973	67,850	152,849	
Employer FICA match (7.65%)		2,909	3,593	5,191	11,693	
Health insurance (12.1%)		4,601	5,684	8,210	18,495	
Life insurance (5%)		1,901	2,349	3,393	7,643	
Pension matching (4%)		1,521	1,879	2,714	6,114	
Total budgeted direct labour cost		48,958	60,478	87,358	196,794	DLB4
Total budgeted direct labour cost (June)		87,358				
Total budgeted direct labour hours (June)		3,640				
Full direct labour cost per hour		24				
Ref.		DLB5				

Variable Overhead						
	Source	April	May	June	Q2 Totals	Ref.
Budgeted total direct labour hours	DLB2	2,040	2,520	3,640		
Variable OH rate per direct labour hour		2	2	2		POB1
Budgeted variable overhead		4,080	5,040	7,280	16,400	POB2

Fixed Overhead						
	Source	April	May	June	Q2 Totals	Ref.
Budgeted fixed overhead		9,000	9,000	9,000	27,000	POB3
Budgeted unit production	PB	1,020	1,260	1,820		
Fixed OH absorbed per unit		9	7	5		POB4

Closing Finished Goods Inventory Budget						
	Source	Qty	Source	Input cost	Cost per finished	
Production costs in closing inventory						
Direct Materials - raw material A	DMB1	3	DMB2	12	36	
Direct Materials - raw material B	DMB5	2	DMB6	8	16	
Direct labour	DLB1	2	DLB5	24	48	
Variable overhead	DLB1	2	POB1	2	4	
Fixed overhead	-	1	POB4	5	5	
Finished goods cost					109	
Total FIFO cost per finished unit		109				
Budgeted units at June 30		200				
Budgeted closing inventory		21,790				
Ref.		CFGIB				

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Cost of Sale Budget						
	Source			Ref		
Opening finished goods inventory			16,200			
Manufacturing costs:						
Direct materials used - A	DMB3	174,960				
Direct materials used - B	DMB7	74,720				
Direct labour employed	DLB4	196,794				
Variable overhead	POB2	16,400				
Fixed overhead	POB3	27,000				
Cost of goods manufactured			489,874			
Cost of goods available for sale			506,074			
Closing finished goods inventory	CFGIB		-21,790			
Cost of sale			484,284	COSB		

Nonmanufacturing Budget						
	Source	April	May	June	Q2 Totals	Ref.
Variable nonmanufacturing costs:						
Budgeted sales in units	SB1	1,000	1,200	1,800		
Variable S&A expenses (\$3 per unit sold)		3	3	3		
Total variable nonmanufacturing costs		3,000	3,600	5,400	12,000	
Fixed nonmanufacturing costs:						
Research and development		8,000	8,000	8,000	24,000	
Design		4,000	4,000	4,000	12,000	
Marketing		7,000	7,000	7,000	21,000	
Distribution		10,000	10,000	10,000	30,000	
Customer service		11,000	11,000	11,000	33,000	
Administrative		50,000	50,000	50,000	150,000	
Total fixed nonmanufacturing costs		90,000	90,000	90,000	270,000	
Total nonmanufacturing costs		93,000	93,600	95,400	282,000	NMB

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Cash Collections Schedule						
Budgeted February sales	180,000					
Budgeted March sales	220,000					
	Source	April	May	June	Ref.	
Budgeted sales	SB2	400,000	480,000	684,000		
Cash collections from sales:						
From 2nd prior month sales (30%)		54,000	66,000	120,000		
From prior month sales (50%)		110,000	200,000	240,000		
From current month sales (15%)		60,000	72,000	102,600		
Total cash collections from sales		224,000	338,000	462,600	BCCS	

Cash Disbursements Schedule						
March raw materials purchases - A	45,000					
March raw materials purchases - B	17,000					
	Source	April	May	June	Ref.	
Budgeted raw materials cost - A	DMB4	56,256	61,488	71,616		
Cash payments for purchases of A:						
For prior month purchases (40%)		18,000	22,502	24,595		
For current month purchases (60%)		33,754	36,893	42,970		
Total cash disbursements for A		51,754	59,395	67,565	BCDS1	
Budgeted raw materials cost - B	DMB4	23,440	27,440	30,496		
Cash payments for purchases of B:						
For prior month purchases (40%)		6,800	9,376	10,976		
For current month purchases (60%)		14,064	16,464	18,298		
Total cash disbursements for B		20,864	25,840	29,274	BCDS2	

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Cash Budget						
	Source	April	May	June		
Opening cash balance		50,000	100,000	130,767		
Cash collection from sales	BCCS	224,000	338,000	462,600		
Cash available for disbursement		274,000	438,000	593,367		
Cash disbursements:						
For raw material A	BCDS1	51,754	59,395	67,565		
For raw material B	BCDS2	20,864	25,840	29,274		
For direct labour	DLB4	48,958	60,478	87,358		
For variable overhead	POB2	4,080	5,040	7,280		
For fixed overhead	POB3	9,000	9,000	9,000		
For nonmanufacturing costs	NMB	93,000	93,600	95,400		
For equipment purchases		-	-	30,000		
Total disbursements		227,656	253,353	325,877		
Surplus of cash available over disbursements		46,344	184,647	267,490		
Desired closing cash balance		100,000	100,000	100,000		
Surplus (deficiency) of cash		-53,656	84,647	167,490		
Financing:						
Borrowings		53,656	-	-		
Repayments:						
Principal		-	-53,656	-		
Interest		-	-224	-		
Net financing		53,656	-53,880	-		
Closing cash balance		100,000	130,767	267,490		

XX Manufacturing Company		
Pro Forma Statement of income - 2nd Quarter		
	\$	\$
Sales		1,564,000
Opening finished goods inventory	16,200	
Add: cost of goods manufactured	489,874	
Goods available for sale	506,074	
Less: closing finished goods inventory	21,790	
Cost of sales		484,284
Gross margin		1,079,716
Less: selling and administrative expenses		-282,000
Operating income		797,716
Add: other revenues and gains		15,000
Less: other expenses and losses		-10,000
Profit before interest and taxes		802,716
Less: interest expense		-224
Profit before tax		802,492
Less: income taxes (40%)		-320,997
Profit for the period		481,495