

Cases

C&C Sports Continuing Case

5.36 (LO 3) Preparing a sales budget and a production budget Throughout the chapter the budget preparation process was illustrated with detailed budgets for baseball pants. Using information in the text and Exhibits 5.5, 5.6 and 5.8, prepare a detailed sales budget and production budget for baseball jerseys for the fourth quarter. Budgeted sales of baseball jerseys in January 2022 is 12,000 jerseys.

5.37 (LO 2) Standards and behavior (CMA adapted) Miller Manufacturing makes several different products for the mountain biking enthusiast. In an extremely competitive market, Miller has assumed a strong position by stressing cost control. Several years ago, the company implemented a standard cost system based on practical standards that were considered fair and reasonable by both managers and line workers.

Last month, Miller hired Kate Daniel as its new controller. After a brief review of operations, Kate has decided to make some changes. She reviewed materials and labor standards, and believes they need to be revised. She has indicated to other managers that workers need to be better motivated and that tighter labor standards will provide that motivation.

Yesterday, Kate presented each departmental manager with a new annual budget based on the new standards. There was little discussion; however, one cost accountant mentioned that the new standards appeared to be quite a bit tighter than the old ones.

Required

- Describe any negative behaviors that managers and line workers may exhibit as a result of the tightening of the standards.
- Can Kate take any actions to mitigate the negative behaviors you have identified?
- How can tight standards have a positive effect on employees' behavior?
- Who should have participated in the setting of the new standards? How would their participation have improved the process?

5.38 (LO 3, 4, 5) Excel Comprehensive master budget in a manufacturing setting Klandon Company manufactures decorative rocks for aquariums. Kim Klandon is preparing the budget for the quarter ended June 30. She has gathered the following information.

- Klandon's sales manager reported that the company sold 15,000 bags of rocks in March. He has developed the following sales forecast. The expected sales price is \$25 per bag.

April	18,000 bags
May	22,000 bags
June	20,000 bags
July	24,000 bags
August	16,000 bags

- Sales personnel receive a 4% commission on every bag of rocks sold. The following monthly fixed selling and administrative expenses are planned for the quarter. However, these amounts do not include the depreciation increase resulting from the budgeted equipment purchase in June (see part 7).

	<u>Monthly Fixed Selling and Administrative Costs</u>	<u>Variable Cost/Unit</u>
Depreciation	\$10,000	
Salaries of sales personnel	25,000	\$1.00
Advertising	1,000	
Management salaries	10,000	
Miscellaneous	500	
Bad debts		
Total costs	<u>\$46,500</u>	<u>\$1.00</u>