

#20

1.

Exercise 20-9A Direct materials budget L.O. P3

Nascar Company manufactures an innovative automobile transmission for electric cars. Management predicts that ending inventory for the first quarter will be 39,100 units. The following unit sales of the transmissions are expected during the rest of the year: second quarter, 222,000 units; third quarter, 491,000 units; and fourth quarter, 237,000 units. Company policy calls for the ending inventory of a quarter to equal 39% of the next quarter's budgeted sales. Nascar Company reports direct materials requirements of 0.59 pounds per unit. It also aims to end each quarter with an ending inventory of direct materials equal to 39% of next quarter's budgeted materials requirements. Direct materials cost \$168 per unit.

Required:

Prepare a direct materials budget for the second quarter. (Round your pounds per unit to 2 decimal places and other answers to the nearest dollar amount. Amounts to be deducted should be indicated with a minus sign. Omit the "\$" and "lbs" signs in your response.)

NASCAR COMPANY Direct Materials Budget Second Quarter	
Units to be produced	[]
Materials requirements per unit	[] lbs
<hr/>	
Materials needed for production	[]
Add: Budgeted ending inventory	[]
<hr/>	
Total materials requirements	[]
Deduct: Beginning inventory	[]
<hr/>	
Materials to be purchased	[]
<hr/>	
Material price per unit	\$ []
<hr/>	
Total cost of direct materials purchases	\$ []

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Worksheet

Exercise 20-9A Direct materials budget L.O. P3

2.

Exercise 20-3 Preparation of a cash budget L.O. P1

Use the following information to prepare the July cash budget for Sanchez Co. It should show expected cash receipts and cash disbursements for the month and the cash balance expected on July 31. (Input all amounts as positive values. Omit the "\$" sign in your response.)

- a. Beginning cash balance on July 1: \$65,000.
- b. Cash receipts from sales: 20% is collected in the month of sale, 50% in the next month, and 30% in the second month after sale (uncollectible accounts are negligible and can be ignored). Sales amounts are: May (actual), \$1,740,000; June (actual), \$1,410,000; and July (budgeted), \$1,420,000.
- c. Payments on merchandise purchases: 65% in the month of purchase and 35% in the month following purchase. Purchases amounts are: June (actual), \$560,000; and July (budgeted), \$650,000.
- d. Budgeted cash disbursements for salaries in July: \$260,000.
- e. Budgeted depreciation expense for July: \$13,000.
- f. Other cash expenses budgeted for July: \$250,000.
- g. Accrued income taxes due in July: \$80,000.
- h. Bank loan interest due in July: \$6,500.

SANCHEZ COMPANY Cash Budget For The Month Ended July 31	
Beginning cash balance	\$ [] 0

Cash receipts from sales	0	
Total cash available		\$ 0
Cash disbursements		
Accrued taxes	0	
Other expenses	0	
Payments for merchandise	0	
Salaries	0	
Interest on bank loan	0	
Total cash disbursements		0
Ending cash balance		\$ 0

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Worksheet

Exercise 20-3 Preparation of a cash budget L.O. P1

3.

Exercise 20-12 Budgeted cash receipts L.O. P1

Emily Company has sales on account and for cash. Specifically, 64% of its sales are on account and 36% are for cash. Credit sales are collected in full in the month following the sale. The company forecasts sales of \$529,000 for April, \$539,000 for May, and \$564,000 for June. The beginning balance of Accounts Receivable is \$297,800 on April 1.

Prepare a schedule of budgeted cash receipts for April, May, and June. (Input all amounts as positive values. Omit the "\$" sign in your response.)

EMILY, INC. Cash Receipts Budget For April, May, and June			
	April	May	June
Sales	\$ 0	\$ 0	\$ 0
Less: Ending accounts receivable	0	0	0
Cash receipts from			
Cash sales	0	0	0
Collections of prior month's receivables	0	0	0
Total cash receipts	\$ 0	\$ 0	\$ 0

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Exercise 20-12 Budgeted cash receipts L.O. P1

4.

Exercise 20-14 Cash budget L.O. P1

Fabrice Corp. requires a minimum \$7,700 cash balance. If necessary, loans are taken to meet this requirement at a cost of 2% interest per month (paid monthly). Any excess cash is used to repay loans at month-end. The cash balance on October 1 is \$7,700 and the company has an outstanding loan of \$3,700. Forecasted cash receipts (other than for loans received) and forecasted cash payments (other than for loan or interest payments) follow.

	October	November	December
Cash receipts	\$23,700	\$17,700	\$21,700
Cash disbursements	26,550	16,700	14,300

Prepare a cash budget for October, November, and December. (Input all amounts as positive values.)

Leave no cells blank - be certain to enter "0" wherever required. Round your intermediate calculations and final answers to the nearest dollar amount. Omit the "\$" sign in your response.)

FABRICE CORP.
Cash Budget
For October, November, and December

	October	November	December
Beginning cash balance	\$ 0	\$ 0	\$ 0
Cash receipts	0	0	0
Total cash available	0	0	0
Cash disbursements	0	0	0
Interest on bank loan	0	0	0
Preliminary cash balance	\$ 0	\$ 0	\$ 0
Additional loan from bank	0	0	0
Repayment of loan to bank	0	0	0
Ending cash balance	\$ 0	\$ 0	\$ 0
Loan balance, end of month	0	0	0

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Exercise 20-14 Cash budget L.O. P1

Learning Objective: 20-P1 Prepare each component of a master budget and link each to the budgeting process.

5.

Exercise 20-21A Direct materials budget L.O. P3

Rad Co. provides the following sales forecast for the next four months:

	April	May	June	July
Sales (units)	580	660	610	610

The company wants to end each month with ending finished goods inventory equal to 40% of next month's sales. Finished goods inventory on April 1 is 232 units. Assume July's budgeted production is 620 units. In addition, assume each finished unit requires five pounds of raw materials and the company wants to end each month with raw materials inventory equal to 30% of next month's production needs. Beginning raw materials inventory for April was 918 pounds.

Prepare a direct materials budget for April, May, and June. (Amounts to be deducted should be indicated by a minus sign.)

RAD CO.
Direct Materials Budget
For April, May, and June

	April	May	June
Budgeted production			
Materials requirements per unit			
Materials needed for production			
Add: Budgeted ending inventory			
Total materials requirements			
Deduct: Beginning inventory			
Materials to be purchased			

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Exercise 20-21A Direct materials budget L.O. P3

Learning Objective: 20-P3 Appendix 20A-Prepare production and manufacturing budgets.

6.

Exercise 20-8A : Preparing production budgets (for two periods) L.O. P3

Nascar Company manufactures an innovative automobile transmission for electric cars. Management predicts that ending inventory for the first quarter will be 33,000 units. The following unit sales of the transmissions are expected during the rest of the year: second quarter, 238,000 units; third quarter, 445,000 units; and fourth quarter, 401,500 units. Company policy calls for the ending inventory of a quarter to equal 10% of the next quarter's budgeted sales.

Prepare a production budget for both the second and third quarters that shows the number of transmissions to manufacture. (Amounts to be deducted should be indicated with a minus sign.)

NASCAR COMPANY
Production Budget
Second and Third Quarters

	Second Quarter	Third Quarter
Budgeted ending inventories	0	0
Add: Budgeted sales	0	0
Required units of available production	0	0
Less: Budgeted beginning inventories	0	0
Units to be produced	0	0

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Exercise 20-8A : Preparing production budgets (for two periods) L.O. P3

Learning Objective: 20-P3 Appendix 20A-Prepare production and manufacturing budgets.

7.

Exercise 20-15 Cash budget L.O. P1

Cambridge, Inc. is preparing its master budget for the quarter ended June 30. Budgeted sales and cash payments for merchandise for the next three months follow:

	April	May	June
Budgeted sales	\$ 31,800	\$ 40,200	\$ 24,200
Budgeted cash payments for merchandise	20,600	16,600	17,000

Sales are 65% cash and 35% on credit. All credit sales are collected in the month following the sale. The March 30 balance sheet includes balances of \$12,200 in cash, \$12,200 in accounts receivable, \$11,000 in accounts payable, and a \$2,200 balance in loans payable. A minimum cash balance of \$12,200 is required. Loans are obtained at the end of any month when a cash shortage occurs. Interest is 1% per month based on the beginning of the month loan balance and is paid at each month-end. If an excess balance of cash exists, loans are repaid at the end of the month. Operating expenses are paid in the month incurred and consist of sales commissions (10% of sales), shipping (4% of sales), office salaries (\$3,200 per month) and rent (\$5,200 per month).

Prepare a cash budget for each of the months of April, May, and June. (Input all amounts as positive values. Leave no cells blank - be certain to enter "0" wherever required. Round your intermediate calculations and final answers to the nearest dollar amount. Omit the "\$" sign in your response.)

CAMBRIDGE, INC.
Cash Budget
For April, May, and June

	April	May	June
Beginning cash balance	\$ 0	\$ 0	\$ 0
Cash receipts	0	0	0
Total cash available	0	0	0
Cash disbursements			
Payments for merchandise	0	0	0
Sales commissions	0	0	0
Shipping	0	0	0

Office salaries	0	0	0
Rent	0	0	0
Interest on bank loan	0	0	0
Preliminary cash balance	\$ 0	\$ 0	\$ 0
Additional loan from bank	0	0	0
Repayment of loan to bank	0	0	0
Ending cash balance	\$ 0	\$ 0	\$ 0
Loan balance, end of month	\$ 0	\$ 0	\$ 0

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Worksheet

Exercise 20-15 Cash budget L.O. P1

Learning Objective: 20-P1 Prepare each component of a master budget and link each to the budgeting process.

8.

Exercise 20-19 Direct labor budget L.O. P3

The production budget for Zink Company shows units to be produced as follows: July, 710; August, 770; September, 630. Each unit produced requires three hours of direct labor. The direct labor rate is currently \$15 per hour but is predicted to be \$15.75 per hour in September.

Prepare a direct labor budget for the months July, August, and September. (Round your "Labor rate per hour" to 2 decimal places and other dollar values to nearest whole dollar amount. Omit the "\$" sign in your response.)

ZINK COMPANY
Direct Labor Budget
For July, August, and September

	July	August	September
Budgeted production (units)	0	0	0
Labor requirements per unit (hours)	0	0	0
Total labor hours needed	0	0	0
Labor rate per hour	\$ 0	\$ 0	\$ 0
Labor dollars	\$ 0	\$ 0	\$ 0

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Exercise 20-19 Direct labor budget L.O. P3

Learning Objective: 20-P3 Appendix 20A-Prepare production and manufacturing budgets.

9.

Exercise 20-18 Budgeted income statement L.O. P2

Zulu, Inc., is preparing its master budget for the first quarter. The company sells a single product at a price of \$25 per unit. Sales (in units) are forecasted at 39,000 for January, 59,000 for February, and 49,000 for March. Cost of goods sold is \$12 per unit. Other expense information for the first quarter follows.

Commissions	9% of sales
Rent	\$23,000 per month
Advertising	15% of sales
Office salaries	\$74,000 per month
Depreciation	\$54,000 per month
Interest	11% annually on a \$250,000 note payable
Tax rate	40%

Prepare a budgeted income statement for this first quarter. (Input all amounts as positive values. Do not round intermediate calculations. Omit the "\$" sign your response.)

ZULU, INC.
Budgeted Income Statement
For Quarter Ended March 31

Sales		\$	0
Cost of goods sold			0
Gross profit			0
Operating expenses			
Depreciation expense	\$		0
Commissions expense			0
Office salaries expense			0
Advertising expense			0
Rent expense			0
Interest expense			0
Total operating expenses			0
Income before income taxes			0
Income tax expense			0
Net income		\$	0

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Worksheet

Exercise 20-18 Budgeted income statement L.O. P2

Learning Objective: 20-P2 Link both operating and capital expenditures budgets to budgeted financial statements.

10.

Exercise 20-6 Computing budgeted purchases and costs of goods sold L.O. P1

Sand Dollar Company purchases all merchandise on credit. It recently budgeted the following month-end accounts payable balances and merchandise inventory balances. Cash payments on accounts payable during each month are expected to be: May, \$1,500,000; June, \$1,450,000; July, \$1,250,000; and August, \$1,500,000.

	Accounts Payable	Merchandise Inventory
May 31	\$150,000	\$230,000
June 30	150,000	400,000
July 31	300,000	100,000
August 31	170,000	330,000

1. Compute the budgeted amounts of merchandise purchases for June, July, and August. (Omit the "\$" sign in your response.)

	June	July	August
Budgeted merchandise purchases	\$ 0	\$ 0	\$ 0

2. Compute the budgeted amounts of cost of goods sold for June, July, and August. (Omit the "\$" sign in your response.)

	June	July	August
Budgeted cost of goods sold	\$ 0	\$ 0	\$ 0

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Exercise 20-6 Computing budgeted purchases and costs of goods sold L.O. P1

Learning Objective: 20-P1 Prepare each component of a master budget and link each to the budgeting process.