cing section any borrowing that will be
not be paid until the following month.

9–2, LO 9–4, LO 9–8]
nders, paper, and other school supplies.
r. In the past, Janus Products has had
les of back-to-school materials, which
ssembled to assist in preparing a cash

s for July–October are as follows:

August	September	October
$70,000	$50,000	$45,000
42,000	30,000	27,000
28,000	20,000	18,000
11,700	8,500	7,300
7,200	6,100	5,900
18,900	14,600	13,200
$ 9,100	$ 5,400	$ 4,800

th 10% collected in the month of sale,
ond month following sale. May sales

fore, 50% of a month's inventory pur-
naining 50% is paid in the following
ne 30 total $11,700.
75% of the cost of the merchandise to
tory at June 30 is $18,000.

mber.
ust maintain a cash balance of at least

t allows it to borrow in increments of
n balance of $40,000. The interest rate
e will assume that interest is not com-
y the loan plus accumulated interest at

ly, August, and September and for the

1. Sales continue to be 20% for cash and 80% on credit. However, credit sales from July, August, and September are collected over a three-month period with 25% collected in the month of sale, 60% collected in the month following sale, and 15% in the second month following sale. Credit sales from May and June are collected during the third quarter using the collection percentages specified in Problem 9–17.
2. The company maintains its ending inventory levels for July, August, and September at 25% of the cost of merchandise to be sold in the following month. The merchandise inventory at June 30 remains $18,000 and accounts payable for inventory purchases at June 30 remains $11,700.

All other information from Problem 9–17 that is not referred to above remains the same.

Required:

1. Using the president's new assumptions in (1) above, prepare a schedule of expected cash collections for July, August, and September and for the quarter in total.
2. Using the president's new assumptions in (2) above, prepare the following for merchandise inventory:
   a. A merchandise purchases budget for July, August, and September.
   b. A schedule of expected cash disbursements for merchandise purchases for July, August, and September and for the quarter in total.
3. Using the president's new assumptions, prepare a cash budget for July, August, September, and for the quarter in total.
4. Prepare a brief memorandum for the president explaining how his revised assumptions affect the cash budget.

PROBLEM 9–19 Integration of Sales, Production, and Direct Materials Budgets [LO 9–2, LO 9–3, LO 9–4]

Crydon, Inc., manufactures an advanced swim fin for scuba divers. Management is now preparing detailed budgets for the third quarter, July through September, and has assembled the following information to assist in preparing the budget:

a. The Marketing Department has estimated sales as follows for the remainder of the year (in pairs of swim fins):

July	6,000	October	4,000
August	7,000	November	3,000
September	5,000	December	3,000

The selling price of the swim fins is $50 per pair.

b. All sales are on account. Based on past experience, sales are expected to be collected in the following pattern:

40% in the month of sale
50% in the month following sale
10% uncollectible