3. Purchases budget:

	20x0	20x1			
	December	January	February	March	1st Quarter
Budgeted cost of goods sold					
Add: Desired ending inventory					
Total goods needed					
Less: Expected beginning inventory					
Purchases					

4. Cash disbursements budget:

	20x1			
	January	February	March	1st Quarter
Inventory purchases:				
Cash payments for purchases during the current month*				
Cash payments for purchases during the preceding month†				
Total cash payments for inventory purchases				
Other expenses:				
Sales salaries				
Advertising and promotion				
Administrative salaries				
Interest on bonds‡				
Property taxes‡				
Sales commissions				
Total cash payments for other expenses				
Total cash disbursements				

*40% of the current month's purchases (schedule 3).

†60% of the prior month's purchases (schedule 3).

‡Bond interest is paid every six months, on January 31 and July 31. Property taxes also are paid every six months, on February 28 and August 31.

5. Complete the first three lines of the summary cash budget. Then do the analysis of short-term financing needs in requirement (6). Then finish requirement (5).

Summary cash budget:

	20x1			
	January	February	March	1st Quarter
Cash receipts (from schedule 2)				
Less: Cash disbursements (from schedule 4)				
Change in cash balance during period due to operations				
Sale of marketable securities (1/2/x1)				
Proceeds from bank loan (1/2/x1)				
Purchase of equipment				
Repayment of bank loan (3/31/x1)				
Interest on bank loan				
Payment of dividends				
Change in cash balance during first quarter				
Cash balance, 1/1/x1				
Cash balance, 3/31/x1				

6. Analysis of short-term financing needs:

Projected cash balance as of December 31, 20x0	
Less: Minimum cash balance	
Cash available for equipment purchases	
Projected proceeds from sale of marketable securities	
Cash available	
Less: Cost of investment in equipment	
Required short-term borrowing	

7. Prepare Global Electronics' budgeted income stater
income taxes.)

8. Prepare Global Electronics' budgeted statement of r

9. Prepare Global Electronics' budgeted balance sheet
20x1, Bond Interest Payable is $10,000 and Propert

Cases

Jack Riley, controller in the division of social services
budgetary process for planning, control, and motivationa
mented participative budgetary process for planning purp
the managers to improve productivity within their partic
Riley has implemented the following budgetary procedur

- An appropriation target figure is given to each depart
funding that each department can expect to receive in
- Department managers develop their individual budget
directed by the controller's staff.
  - Expenditure requests cannot exceed the appropriat
  - All fixed expenditures should be included in the bu
items as contracts and salaries at current levels.
  - All government projects directed by higher authori
entirety.
- The controller's staff consolidates the budget requests
budget submission for the entire division.
- Upon final budget approval by the legislature, the cont
the various departments on instructions from the divisi
of each department's appropriation is held back in anti
needs. The amount and use of this contingency fund is
- Each department is allowed to adjust its budget when r
appropriation level. However, as stated in the original
higher authority must remain intact.
- The final budget is used as the basis of control. Excess
ment are highlighted on a monthly basis. Department m
expenditures over budget. Fiscal responsibility is an im
evaluation of department managers.

Riley believes his policy of allowing the department m
cess and then holding them accountable for their perform
limited resources. He further believes that the departmen
increase the efficiency and effectiveness of their departmen
initial budgetary process and are required to justify any un

Required:

1. Describe several operational and behavioral benefits th
budgetary process.
2. Identify at least four deficiencies in Jack Riley's partic
evaluation purposes. For each deficiency identified, rec

(CMA, adapted)