

Note: Problem 21-21A must be completed before attempting Problem 21-22A.

P21-22A (L.OBJ. 4) Preparing a financial budget [30 min]

Refer to P21-21A. Clipboard Office Supply's sales are 75% cash and 25% credit. (Use the rounded sales values.) Credit sales are collected in the month after sale. Inventory purchases are paid 25% in the month of purchase and 75% the following month. Salaries and sales commissions are also paid half in the month earned and half the next month. Income tax is paid at the end of the year.

The April 30, 2011, balance sheet showed the following balances:

Cash	\$ 25,000
Accounts payable	53,000
Salaries and commissions payable	2,500

Requirements

1. Prepare schedules of (a) budgeted cash collections, (b) budgeted cash payments for purchases, and (c) budgeted cash payments for operating expenses. Show amounts for each month and totals for May and June. *Round* your computations to the nearest dollar.
2. Prepare a cash budget similar to Exhibit 21-14. If no financing activity took place, what is the budgeted cash balance on June 30, 2011?

P21-23A (L.OBJ. 4) Preparing a financial budget [50–60 min]

Box Printing of Baltimore has applied for a loan. Bank of America has requested a budgeted balance sheet at April 30, 2011, and a budgeted statement of cash flows for April. As Box Printing's controller, you have assembled the following information:

- a. March 31 equipment balance, \$80,900; accumulated depreciation, \$12,900
- b. April capital expenditures of \$16,900 budgeted for cash purchase of equipment
- c. April depreciation expense, \$600
- d. Cost of goods sold, 45% of sales
- e. Other April operating expenses, including income tax, total \$33,000, 40% of which will be paid in cash and the remainder accrued at the end of April
- f. March 31 stockholders' equity, \$136,700
- g. March 31 cash balance, \$50,200
- h. April budgeted sales, \$84,000, 60% of which is for cash; of the remaining 40%, half will be collected in April and half in May
- i. April cash collections on March sales, \$15,300
- j. April cash payments of March 31 liabilities incurred for March purchases of inventory, \$8,600
- k. March 31 inventory balance, \$11,800
- l. April purchases of inventory, \$10,800 for cash and \$37,200 on credit. Half the credit purchases will be paid in April and half in May.

Requirements

1. Prepare the budgeted balance sheet for Box Printing at April 30, 2011. Show separate computations for cash, inventory, and stockholders' equity balances.
2. Prepare the budgeted statement of cash flows for April.
3. Suppose that Box Printing has become aware of more efficient (and more expensive) equipment than it budgeted for purchase in April. What is the total amount of cash available for equipment purchases in April, before financing, if the minimum desired ending cash balance is \$21,000? (For this requirement, disregard the \$16,900 initially budgeted for equipment purchases.)

Note: Problem 21-23A must be completed before attempting Problem 21-24A.

P21-24A (L.OBJ. 4, 5) Preparing a financial budget, and using sensitivity analysis in budgeting [30–40 min]

Refer to P21-23A. Before granting a loan to Box Printing, Bank of America asks for a sensitivity analysis assuming April sales are only \$56,000 rather than the \$84,000 originally budgeted. (While the cost of goods sold will change, assume that purchases, depreciation, and the other operating expenses will remain the same as in P21-23A.)