

2. value:
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Pearl Products Limited of Shenzhen, China, manufactures and distributes toys throughout South East Asia. Three cubic centimeters (cc) of solvent H300 are required to manufacture each unit of Supermix, one of the company's products. The company is now planning raw materials needs for the third quarter, the quarter in which peak sales of Supermix occur. To keep production and sales moving smoothly, the company has the following inventory requirements:

- The finished goods inventory on hand at the end of each month must be equal to 3,000 units of Supermix plus 25% of the next month's sales. The finished goods inventory on June 30 is budgeted to be 19,250 units.
- The raw materials inventory on hand at the end of each month must be equal to one-half of the following month's production needs for raw materials. The raw materials inventory on June 30 is budgeted to be 84,000 cc of solvent H300.
- The company maintains no work in process inventories.

A sales budget for Supermix for the last six months of the year follows.

	Budgeted Sales in Units
July	65,000
August	70,000
September	80,000
October	60,000
November	50,000
December	40,000

Required:

- Prepare a production budget for Supermix for the months July, August, September, and October.

Pearl Products Limited

Budgeted Sales in Units	
July	65,000
August	70,000
September	80,000
October	60,000
November	50,000
December	40,000

Required:

1. Prepare a production budget for Supermix for the months July, August, September, and October.

Pearl Products Limited				
Production Budget				
	July	August	September	October
Budgeted unit sales				
Total needs				
Required production in units				

3. Prepare a direct materials budget showing the quantity of solvent H300 to be purchased for July, August, and September, and for the quarter in total.

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Pearl Products Limited				
Direct Materials Budget				
	July	August	September	Third Quarter
Units of raw materials needed to meet production				
Total units of raw materials needed				
Units of raw materials to be purchased				