

111023

Solution

Production budget		Quart: 1	Quart: 2	Quart: 3
Unit sales		800	1,200	800
Ending inventory	0.25	300	200	
Requirement		1,100	1,400	
Beginning inventory		200	300	
Units to be produced		900	1,100	

Raw Materials budget

		Output units		Material lbs.	Costs
Needed for production	2 x	900 =		1,800	
For end inventory	2 x	50% x	1,100 =	1,100	
	lbs. x	needed x	Q:2 Prod		
Beginning raw materials inventory				900	
Increase in raw materials inventory				200	\$ 1,000
lbs. to be purchased				2,000	
Cost of purchased materials			2,000 x	\$ 5.00	\$ 10,000

Purchases	\$ 10,000	Sales Revenue	168,000
Ending Accounts Payable		Ending Accounts Receivable	
25% x 10,000 =	\$ 2,500	70% x 168,000	117,600
Beginning accounts payable	\$ 2,000	Beginning Accounts Receivable	107,000
Increase in A/P	\$ 500	Increase in A/R	10,600

Total unit variable manufacturing cost			\$ 118.00
Manufacturing overhead			
Fixed factory overhead per quarter excluding depreciation (cash)			24,000
Depreciation for machines used in production (per quarter)			6,000
			30,000
Fixed overhead per unit	30,000 ÷	900 =	\$ 33.33
Unit product cost			\$ 151.33

Income Statement**Quarter 1, 2001**

Sales Revenue		800 x \$ 210.00	168,000
Cost of goods sold		800 x \$ 151.33	(121,067)
Gross margin			46,933
Selling & Admin Expense	Variable	800 x \$ 37	(29,600)
	Fixed		(10,000)
Pretax income			7,333
Income Taxes		30%	(2,200)
Net Income			5,133

Cash Flow Statement**Quarter 1, 2001**

Net Income			5,133
+ depreciation			6,000
- Increase in accounts receivable			(10,600)
- Increase in finished goods	100 x	\$ 151.33	(15,133)
- Increase in Raw materials			(1,000)
+ increase in accounts payable			500
+ Increase in taxes payable	2,200 -	2,000	200
Cash flow from operations			(14,900)