

Information pertaining to the Falcon corporation's budget for the year 2001 is presented below. Falcon produces one product using one type of raw material. All labor costs are paid in the quarter of production. The company has no debt and uses the LIFO method for inventory costing.

Falcon Corporation			Account balances	on December 31 2000
Accounts receivable (Net)				\$ 107,000
Raw materials	900 lbs.			\$ 4,500
Finished goods	200 units			\$ 30,000
Accounts payable				\$ 2,000
Taxes payable				\$ 2,000

Desired end-of-quarter balances	
Raw Materials as a fraction of following quarter's production needs	0.50
Finished goods as a fraction of following quarter's sales	0.25

Unit manufacturing costs	Needed	Unit Price	Total
Material lbs. at price	2 lbs/unit	\$ 5.00	\$ 10
Direct Labor Hours at rate	4 hrs/unit	\$ 15.00	\$ 60
Variable Overhead	4 hrs/unit	\$ 12.00	\$ 48
Total unit variable manufacturing cost			\$ 118
Unit Selling Price			\$ 210

Fixed factory overhead per quarter excluding depreciation (cash)		\$ 24,000
Depreciation for machines used in production (per quarter)		\$ 6,000
Selling and administrative expense (cash):	Fixed Expenses per quarter:	\$ 10,000
	Variable cost per unit sold:	\$ 37.00
Income tax rate (Taxes paid in cash in the following quarter)		30%
Portion of purchases paid:	In Purchased Quarter:	75%
	In next quarter:	25%
Portion of Sales collected:	In Quarter of Sale:	30%
	In next quarter:	70%

Unit Sales Forecast:	1st quarter:	800	2nd Quarter:	1,200
for 2001	3rd Quarter:	800		

**Prepare the following tables**

**Production budget, 2001**

**Quarter : 1**

**Quarter: 2**

<b>1</b>	Units to be produced		
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**Raw Materials budget**

**Quarter 1, 2001**

**2** Cost of purchased materials

**3** Increase in Accounts receivable

**4** Increase in Accounts payable

**5** Unit product cost of goods manufactured in quarter 1, 2001

**Income Statement**

**Quarter 1, 2001**

**6** Net Income

**Cash Flow Statement**

**Quarter 1, 2001**

**7** Cash flow from operations