

ABC Company budgeted the following cash receipts and cash disbursements from operations for the first quarter of the following year.

	Receipts	Disbursements
January	\$870,000	\$832,800
February	1,050,000	935,160
March	1,200,000	1,263,000

An agreement with the bank promised that the company will always have a minimum cash balance of \$60,000 at the end of each month. In return, the bank has agreed that the company can borrow up to \$300,000 with interest of 12% per year, paid on the last day of every month. The interest is calculated on the beginning balance of the loan for the month. The company is expected to have a cash balance of \$60,000 and a loan balance of \$120,000 at the beginning of January.

Worksheet

	January	February	March

Loan Schedule

	January	February	March

Answer

ABC Company

Cash Budget

First Quarter

	January	February	March
Cash at the Beginning	60,000	60,000	90,000
Receipts	870,000	1,050,000	1,200,000
	930,000	1,110,000	1,290,000
Disbursements	832,800	935,160	1,263,000
	97,200	174,840	27,000
Interest	1,200	840	0
	96,000	174,000	27,000
Change in Loan	(36,000)	(84,000)	33,000
Cash at the End	60,000	90,000	60,000

Loan Schedule

	January	February	March
Loan at the Beginning	120,000	84,000	0
Change in Loan	(36,000)	(84,000)	33,000
Loan at the End	84,000	0	33,000