

To start, make the following assumptions:

- 1) We are opening up a brand new store.
- 2) We sell only a one type of specialty lamp.
- 3) We sell the lamps for \$60 each and get paid 80% in the month of the sale, 10% in the month following the sale and 10% in the second month following the sale.
- 4) The lamps cost us \$40 each and we pay 50% in the month of the purchase and 50% in the month following the purchase.
- 5) We want each month's ending inventory to be 80% of the following month's sales quantity.
- 6) Our store rent which includes all utilities is \$300 per month payable at the start of each month.
- 7) Our sales clerk costs us \$2,500 per month.
- 8) We will pay \$300 per month on advertising at the first of each month.
- 9) We will spend \$120 per month on store supplies.
- 10) We will spend \$300 per month for bookkeeping services.
- 11) We will spend \$400 per month for all other general and administrative expenses.
- 12) We will spend \$2,160 in the first month to purchase a computer system. We will use the computer for two years at which time it will be scrapped. We will use Straight Line Amortization and consider it a Selling Expense.

Required

Create a Master Budget including a Budgeted Statement of Earnings and Budgeted Statement of Change in Owner Equity for the three months ended March 31, 2000 and a Budgeted Statement of Financial Position as at March 31, 2000 under the assumption that sales will be as follows:

SALES	January	February	March	April
Number of Units	400	800	900	900

Also assume that any shortages in cash will be covered by owner investments rounded up to the nearest \$1,000.

WORKING PAPERS

SALES	January	February	March	April
Number of Units				
Price per Unit				
Sales per Month				

PURCHASES	January	February	March
Next Month's Sales			
% for Ending Inventory			
Ending Inventory			
Sales for Current Month			
Quantity to be Available			
Less Beginning Inventory			
Quantity to Purchase			
Cost per Unit			
Purchases per Month			

SELLING EXPENSES	January	February	March
Store Rent			
Sales Salary			
Advertising			
Store Supplies			
Amortization			
Total Selling Expenses			

G & A EXPENSES	January	February	March
Bookkeeping			
Other G & A Expenses			
Total General & Admin.			

CAPITAL EXPENDITURES	January	February	March
Computer			
Total Expenditures			

ABC Company
Cash Budget
For the 3 Months ended March 31, 2000

CASH BUDGET	January	February	March
Cash at Beginning of Month			
Cash Receipts from Customers Jan Sales			
Feb Sales			
Mar Sales			
Cash before Disbursements to Suppliers			
Cash Disbursements to Suppliers Jan Purch.			
Feb Purch.			
Mar Purch.			
Cash before other disbursements			
Other Disbursements: Store Rent			
Sales Salary			
Advertising			
Store Supplies			
Bookkeeping			
Other G & A Expenses			
Purchase of Computer			
Total of Other Disbursements			
Cash before Other Adjustments			
Investment by Owner			
Cash at End of Month			

ABC Company
Budgeted Statement of Earnings
For the 3 Months ended March 31, 2000

Sales			
Cost of Goods Sold:			
Beginning Inventory			
Plus Purchases			
Goods Available for Sale			
Less Ending Inventory			
Cost of Goods Sold			
Gross Profit			
Selling Expenses:			
Store Rent			
Sales Salary			
Advertising			
Store Supplies			
Amortization of Computer			
Total Selling Expenses			
General & Administrative Expenses:			
Bookkeeping			
Other G & A Expenses			
Total General & Admin Expenses			
Total Operating Expenses			
Income from Operations			

ABC Company
Budgeted Statement of Change in Owner Equity
For the 3 Months ended March 31, 2000

Owner Equity January 1		
Plus: Net Income		
Owner Investment		
Less: Owner Withdrawal		
Owner Equity March 31		

ABC Company
Budgeted Statement of Financial Position
As At March 31, 2000

Current Assets:		
Cash	_____	
Accounts Receivable	_____	
Inventory	_____	
Total Current Assets		_____
Capital Assets:		
Computer	_____	
Less Acc.Amort.	_____	
Total Capital Assets		_____
Total Assets		_____
Liabilities:		
Accounts Payable	_____	
Owner Equity		_____
Total Liabilities & Owner Equity		_____

ANSWER

SALES	January	February	March	April
Number of Units	400	800	900	900
Price per Unit	60	60	60	60
Sales per Month	24,000	48,000	54,000	54,000

PURCHASES	January	February	March
Next Month's Sales	800	900	900
% for Ending Inventory	80%	80%	80%
Ending Inventory	640	720	720
Sales for Current Month	400	800	900
Quantity to be Available	1,040	1,520	1,620
Less Beginning Inventory	0	640	720
Quantity to Purchase	1,040	880	900
Cost per Unit	40	40	40
Purchases per Month	41,600	35,200	36,000

SELLING EXPENSES	January	February	March
Store Rent	300	300	300
Sales Salary	2,500	2,500	2,500
Advertising	300	300	300
Store Supplies	120	120	120
Amortization	90	90	90
Total Selling Expenses	3,310	3,310	3,310

G & A EXPENSES	January	February	March
Bookkeeping	300	300	300
Other G & A Expenses	400	400	400
Total General & Admin.	700	700	700

CAPITAL EXPENDITURES	January	February	March
Computer	2,160		
Total Expenditures	2,160		

ABC Company
Cash Budget
For the 3 Months ended March 31, 2000

CASH BUDGET	January	February	March
Cash at Beginning of Month	0	320	800
Cash Receipts from Customers Jan Sales	19,200	2,400	2,400
Feb Sales	0	38,400	4,800
Mar Sales	0	0	43,200
Cash before Disbursements to Suppliers	19,200	41,120	51,200
Cash Disbursements to Suppliers Jan Purch.	20,800	20,800	
Feb Purch.	0	17,600	17,600
Mar Purch.	0	0	18,000
Cash before other disbursements	(1,600)	2,720	15,600
Other Disbursements: Store Rent	300	300	300
Sales Salary	2,500	2,500	2,500
Advertising	300	300	300
Store Supplies	120	120	120
Bookkeeping	300	300	300
Other G & A Expenses	400	400	400
Purchase of Computer	2,160		
Total of Other Disbursements	6,080	3,920	3,920
Cash before Other Adjustments	(7,680)	(1,200)	11,680
Investment by Owner	8,000	2,000	0
Cash at End of Month	320	800	11,680

ABC Company
Budgeted Statement of Earnings
For the 3 Months ended March 31, 2000

Sales		126,000
Cost of Goods Sold:		
Beginning Inventory	0	
Plus Purchases	112,800	
Goods Available for Sale	112,800	
Less Ending Inventory	28,800	
Cost of Goods Sold		84,000
Gross Profit		42,000
Selling Expenses:		
Store Rent	900	
Sales Salary	7,500	
Advertising	900	
Store Supplies	360	
Amortization of Computer	270	
Total Selling Expenses	9,930	
General & Administrative Expenses:		
Bookkeeping	900	
Other G & A Expenses	1,200	
Total General & Admin Expenses	2,100	
Total Operating Expenses		12,030
Income from Operations		29,970

ABC Company
Budgeted Statement of Change in Owner Equity
For the 3 Months ended March 31, 2000

Owner Equity January 1		0
Plus: Net Income	29,970	
Owner Investment	10,000	39,970
		39,970
Less: Owner Withdrawal		0
Owner Equity March 31		39,970

Less Ending Inventory of \$28,800 equals 720 Units March 31 time \$40 cost per unit

ABC Company
Budgeted Statement of Financial Position
As At March 31, 2000

Current Assets:		
Cash	11,680	
Accounts Receivable	15,600	
Inventory	28,800	
Total Current Assets		56,080
Capital Assets:		
Computer	2,160	
Less Acc.Amort.	270	
Total Capital Assets		1,890
Total Assets		57,970
Liabilities:		
Accounts Payable		18,000
Owner Equity		39,970
Total Liabilities & Owner Equity		57,970

* Accounts Receivable of \$15,600 is calculated as follows:

January Sales uncollected at March 31 (all has been collected)	0
February Sales uncollected at March 31 (10% of 48,000)	4,800
March Sales uncollected at March 31 (20% of 54,000)	10,800
Accounts Receivable at March 31	15,600

Accounts Payable of \$18,000 is calculated as follows:

January Purchases unpaid at March 31 (all has been collected)	0
February Purchases unpaid at March 31 (all has been collected)	0
March Sales unpaid at March 31 (50% of 36,000)	18,000
Accounts Payable at March 31	18,000