

Question 9

80

(a)

<b>Sales Budget</b>	<b>Micro</b>	<b>Excel</b>	
Expected sales in units	11,000	6,500	
Expected selling price per unit	€240	€300	
Budgeted sales revenue	€2,640,000	€1,950,000	€4,590,000

<b>Production budget</b>	<b>Micro</b>	<b>Excel</b>	
	<b>Units</b>	<b>Units</b>	
Required by sales	11,000	6,500	
Add Closing stock (80% of opening stock)	<u>640</u>	<u>440</u>	
	11,640	6,940	
Less Opening stock	<u>(800)</u>	<u>(550)</u>	
Budgeted production in units	<b><u>10,840</u></b>	<b><u>6,390</u></b>	

(b) **Raw Materials Purchases Budget**

	<b>Material X</b>		<b>Material Y</b>	
	<b>Kgs</b>		<b>Kgs</b>	
Required by production –				
Micro	(10,840 x 6)	65,040	54,200	(10,840 x 5)
Excel	(6,390 x 4)	<u>25,560</u>	<u>44,730</u>	(6,390 x 7)
		90,600	98,930	
Add Closing stock (80% of opening stock)		<u>5,600</u>	<u>4,000</u>	
		96,200	102,930	
Less Opening stock		<u>(7,000)</u>	<u>(5,000)</u>	
Required purchases of raw materials in Kg's		89,200	97,930	
Purchase Price		<u>€</u>	<u>€</u>	
<b>Purchase cost</b>		<b><u>€178,400</u></b>	<b><u>€391,720</u></b>	<b>€570,120</b>

(c) **Production Cost/Manufacturing Budget**

<b>Cost of raw materials consumed:</b>		<b>€</b>	<b>€</b>
Opening stock of raw materials			
X	(7,000 x 1.80)	12,600	
Y	(5,000 x 3.60)	<u>18,000</u>	30,600
Purchases	(178,400 + 391,720)		<u>570,120</u>
			600,720
Less Closing stock of raw materials			
X	(5,600 x 2)	11,200	
Y	(4,000 x 4)	<u>16,000</u>	<u>(27,200)</u>
			573,520
Cost of Labour	(10,840 x 7 x 12)	910,560	
	(6,390 x 8 x 12)	<u>613,440</u>	1,524,000
Variable overheads	(10,840 x 7 x 5)	379,400	
	(6,390 x 8 x 5)	<u>255,600</u>	635,000
Fixed overheads			<u>180,400</u>
<b>Cost of manufacture</b>			<b><u>2,912,920</u></b>

<b>(d) Budgeted Trading Account</b>		€	€
Sales of finished goods	(2,640,000 + 1,950,000)		4,590,000 [2]
Opening stock of finished goods			
Micro	(800 x 130)	104,000	
Excel	(550 x 150)	<u>82,500</u>	186,500 [2]
Cost of Manufacture		<u>2,912,920</u> [2]	
		3,099,420	
<b>Less Closing stock of finished goods</b>			
Micro	(640 x 160)	102,400	
Excel	(440 x 184)	<u>80,960</u>	(183,360) [4]
<b>Gross Profit</b>			<u>1,673,940</u> [3]

(e)

[6]

### Cash Budget

A Cash Budget is a plan or forecast that summarises the expected inflows and outflows of cash during a period. This budget is prepared by the management accountant or the financial accountant.

A cash budget will anticipate periods when the organization will have cash surpluses and will enable it to arrange short term investments.

A cash budget will anticipate periods when the organization will have cash deficits and will enable it to make arrangements for a loan or overdraft.

A cash budget will help in making sure that there is always enough funds available to meet the day to day needs of the business.

[2]

**Principal Budget Factor:** Apart from sales demand the principal budget factor could also be:

Availability of materials

Availability of labour

Capacity of the plant

Availability of capital