

Chapter 6

Master budget

6-6 Al Najah company uses the budget system . The company produces and sell a product at \$75 per unit. The company sell its product in four marketing area which are A,B,C and D. percentages of annual sales in each marketing area are %32, %20, %25 and %23 respectively. Total estimated sales quantity for 2009 is 600000 units and distributed among the four quarters with distribution ratio 2:3:4:3 respectively.

Required: prepare sales budget for marketing areas and four quarters

6-7 Al Saada Company produces two types of products which are A and B. The following data are related to sales and production for January 2010.

Details	Product (A)	Product (B)
Estimated finished goods inventory on 1/1/2010 (units)	4500	2250
Estimated finished goods inventory on 31/1/2010 (units)	4000	2500
Estimated sales quantity (units)	7500	5000
Sales price	\$75	\$120

Required: prepare sales budget and production budget for January 2010.

6-8 Al Helal Company produces and sell an electric heater. The following data are estimated sales quantities for the second half of 2009.

Details	July	August	September	October	November	December
Estimated Sales quantities	8000	7000	10000	13000	17000	19000

The company expects to sell 20000 units during January 2010. In addition, policy of the company has shown that end of inventory levels must equal %30 of the following month's sales.

Required: prepare production budget for the second half of 2009.

6-9 Al Nahrain Company uses the budget system. The following is some information about the company.

1-production budget for 2009.

Details	First quarter	Second quarter	Third quarter	Fourth quarter
Planned production quantities (units)	48000	56000	64000	60000

2-each unit needs 3 liters of raw materials at \$2 per liter.

3-each unit needs 2 labor hours and average wage per hour is \$2.

4-allocated rate for overhead is %50 of cost of direct labor.

5-%80 of the production is sold during the same quarter and the remaining (%20) is finished goods inventory at the end quarter and it is sold in the following quarter. The beginning inventory on 1/1/2009 is 9600 units.

Required:

1-prepare production cost budget

2-prepare cost of goods sold budget

3-prepare budgeted income statement . If you know that the sales price is \$15 and selling and administrative costs are %10 of sales.

6-10 Al Zahir uses the budget system. The following is some information about the company.

1-production budget for the fourth quarter of 2009 and January 2010.

Details	October	November	December	January 2010
Planned production quantity (units)	15000	25000	30000	35000

2-the company purchases raw materials a month before they are needed. Each unit needs 3kg of material A at \$3 per kg and each unit needs 2kg of material B at \$5 per kg.

Required:

1-prepare direct material used budget.

2-prepare direct material purchases budget.

6-11 The following is production budget for Baghdad Company for 2009.

Details	First quarter	Second quarter	Third quarter	Fourth quarter
Planned production quantity (units)	24000	30000	32000	42000

Each unit needs 4 meter of the material (x) at \$6 per meter. Ending inventory of raw material equal %25 of direct material used in the following quarter. Planned production quantity for the first quarter of 2010 is 28000 units.

Required:

- 1-prepare direct material used budget
- 2-prepare direct material purchases budget

6-12 Al Hamra Company plans to prepare **overhead** budget for 2009. Fixed overhead cost for each quarter is \$68000. Variable overhead allocated rate is \$7 per units of production quantity. The following is planned production quantities for 2009.

Details	First quarter	Second quarter	Third quarter	Fourth quarter
Planned production quantity (units)	30000	44000	42000	38000

Required: prepare overhead cost budget for 2009.

6-13 The following data are taken from budget department in Al Andalus Company for 2009.

	Sales revenue	Cost of production	Beginning finished goods inventory	Selling and administrative cost
First quarter	850000	600000	35000	128000
Second quarter	900000	650000	40000	142000
Third quarter	960000	685000	50000	146000
Fourth quarter	880000	620000	40000	142000
First quarter 2010	850000	610000	30000	140000

The company pays selling and administrative costs at the same period they are occurred. Depreciation of assets is \$16000 for each quarter. Tax rate is %40. Ending finished goods inventory for first quarter of 2009 is \$40000.

Required: prepare budgeted income statement.

6-14 The following data are related to cash budget

1-sales revenue for the first half of 2008

Details	January	February	March	April	May	June
Sales revenue	150000	160000	180000	200000	210000	250000

2-cash sales is %20 and the remaining is on account and it is collected of debtors as follows:

 %60 in the same month of sale

 %40 in the following month of sale

3- purchase of raw materials for the first half of 2008

Details	January	February	March	April	May	June
Cost of purchases	100000	110000	120000	130000	140000	150000

4-All purchases are on account and payments to creditors are %50 in the month of purchase and the remaining in the following of purchases.

5-monthly direct labor is \$5000.

6-All other expenses represent %10 of total sales revenues and they contain \$500 depreciation.

7-cash balance on 1/4/2008 is \$15000.

Required: prepare cash budget for second quarter of 2008.