

Cash Budget**Problem 4:**

[NU. BBA – 2006/ 2017]

Modern Furniture Company has the following forecast data available:

	September	October
	Taka	Taka
Cash sales	40,000	60,000
Credit sales	77,500	95,000
Cash purchases	20,000	20,000
Credit purchases	1,00,000	80,000
Purchases discount	6,000	3,000
Accounts payable beginning	10,000	12,000
Accounts payable ending	12,000	9,000
Cash operating expenses	46,500	10,000

Net sales on credit are 50 % in the month of sale, 40 % in the following month and 10 % in the second following month. Such sales in July and August were Tk. 1, 00,000 and Tk. 1, 20,000 respectively. The estimated cash balance in September is Tk. 13,000.

Prepare a cash budget for September and October.

Solution:**1. Calculation of payment to creditors:**

	September	October
Beginning Accounts payable	10,000	12,000
Add: Credit purchase	1,00,000	80,000
	1,10,000	92,000
Less: Discount	6,000	3,000
	1,04,000	89,000
Less: Ending Accounts payable	12,000	9,000
	92,000	80,000

2. Calculation of cash received from customer:

Months	Credit sales	Collections <i>cash</i>	
		September	October
July	1,00,000	10,000	----
August	1,20,000	48,000	12,000
September	77,500	38,750	31,000
October	95,000	----	47,500
		96,750	90,500

Modern Furniture Company**Cash budget**

For the month of September to October

Details	September	October
Balance b/d	13,000	(8,750)
Cash receipts:		
Cash sales	40,000	60,000
Collection from debtors (note-1)	96,750	90,500
(a) Total receipts	1,49,750	1,41,250