

Problem 10

[NU. BBA – 2014]

Summarized below the income and expenditure forecast for the month of March to August 2014:-

Months	Sales (Tk.)	Purchase (Tk.)	Wages (Tk.)	Overhead (Tk.)
March	60,000	36,000	9,000	10,000
April	62,000	38,000	8,000	9,000
May	64,000	33,000	10,000	11,000
June	58,000	35,000	8,500	9,000
July	56,000	39,000	9,500	9,500
August	60,000	34,000	8,000	8,500

You are required to prepare a cash budget for 3 months starting on 1st May 2014 keeping in view the following information:

- Cash balance as a 1st May 2014 Tk. 8,000;
- Sales and purchase all are on credit;
- Plant costing Tk. 16,000 due for delivery in July payable 10% on delivery and the balance after 3 months;
- Advance tax installments of Tk. 8,000 cash are payable in March and June;
- The period of credit allowed by suppliers is 2 months and allowed to customers is 1 month;
- Lag in payment of all expense is one month.

Solution:**Note 1: A schedule of expected cash collections for May, June and July:**

Months	Credit sales	Collection pattern		
		May	June	July
During April	62,000	62,000		
During May	64,000		64,000	
During June	58,000			58,000
		62,000	64,000	58,000

Note 2: A schedule of expected cash collections for May, June and July:

Months	Credit Purchase	Payment pattern		
		May	June	July
During April	36,000	36,000		
During March	38,000		38,000	
During May	33,000			33,000
		36,000	38,000	33,000

Cash Budget

For the months from May to July, 2014

Details	Budgeted months		
	May (Tk.)	June (Tk.)	July (Tk.)
Balance b/d	8,000	17,000	16,000
Receipts:			
Collection from debtors (Note-1)	62,000	64,000	58,000
	70,000	81,000	74,000
Payments:			
Payment to supplier (Note-2)	36,000	38,000	33,000
Wages	8,000	10,000	8,500
Overhead	9,000	11,000	9,000
Payment for purchase Plant	--	--	1,600
Advance tax installments	--	8,000	--
(b) Total payments	53,000	67,000	52,100
Balance c/d (a - b)	17,000	16,000	21,900