

**Problem 11:**

[NU. BBA - 2016]

ABC corporation a distributor of herb based sunscreen, is ready to begin its third quarter, in which peak sales occur. The company has requested a Tk. 40,000, 90 days loan from its Bank to help meet cash requirements during the quarter. The following data have been assembled to find their cash need for the upcoming months:-

- (a) On July 1 company has a cash balance of Tk. 44,500  
 (b) Actual sales for the last two months and budgeted sales (all sales are on account) are as follows:

	Taka
May (actual)	250,000
June (actual)	300,000
July (budgeted)	400,000
August (budgeted)	600,000
September (budgeted)	320,000

Past experience shows that the sales are collected in the following pattern 25% of sales are collected in the month of sales, 70% of sales are collected in the month following sales and 3% of sales are collected in the second month following sales the remainder is uncollectible.

- (c) Budgeted merchandise purchase and other expenditure are given below:

	July	August	September
	Taka	Taka	Taka
Merchandise purchase	240,000	350,000	175,000
Salaries and wages	45,000	50,000	40,000
Advertising	130,000	145,000	80,000
Rent payments	9,000	9,000	9,000
Depreciation	10,000	10,000	10,000

Merchandise purchases are paid in full in the month following purchase. Accounts payable for merchandise purchases on June 30, total Tk. 180,000.

- (d) Equipment costing Tk. 10,000 will be purchased in July for cash.  
 (e) In preparing the cash budget assume that the Tk. 40,000 loan will be made in July and repaid in September. Interest on the loan will total Tk. 1,200.

**Required:**

- (i) Prepare a cash collection schedule for the month of July, August and September and for the quarter in total.  
 (ii) Prepare a cash budget by month and in total, for the third quarter.

**ABC Corporation**  
**Schedule of cash collection**

	Credit Sales	Month Collection			Total
		July	August	Sept.	
May (3%)	250000	7500	-	-	7500
June (70%, 3%)	300000	210000	9000	-	219000
July (25%, 70%, 3%)	400000	100000	280000	12000	392000
August (25%, 70%)	600000	-	150000	420000	570000
September (25%)	320000	-	-	80000	80000
<b>Total</b>		<b>317500</b>	<b>439000</b>	<b>512000</b>	<b>1268500</b>