

SNS College of Technology



Coimbatore - 35

23BAT605 – FINANCIAL STATEMENT ANALYSIS
Unit V – BUDGETING AND ACCOUNTING SOFTWARE

Topic: Guess?????



Presented by

Ms.S.Swarnam
Design Thinker

1st Indian Institution Design Thinking to Implement Curriculum

Redesigning Common Mind and Business Towards Excellence



Let's Recap





The cash budget is divided into four sections:

1. Cash receipts section lists all cash inflows excluding cash received from financing;
2. Cash disbursements section consists of all cash payments excluding repayments of principal and interest;
3. Cash excess or deficiency section determines if the company will need to borrow money or if it will be able to repay funds previously borrowed; and
4. Financing section details the borrowings and repayments projected to take place during the budget period.





Assume the following information for Royal:

- Maintains a 16% open line of credit for \$75,000
- Maintains a minimum cash balance of \$30,000
- Borrows on the first day of the month and repays loans on the last day of the month
- Pays a cash dividend of \$49,000 in April
- Purchases \$143,700 of equipment in May and \$48,300 in June (both purchases paid in cash)
- Has an April 1 cash balance of \$40,000





	A	B	C	D	E	F	G	H	I	J
63			April	May	June	Quarter				
64		Beginning cash balance	\$ 40,000							
65		Add: Cash collections	170,000							
66		Total cash available	210,000							
67		Less: Cash disbursements								
68		Materials	40,000							
69		Direct labor								
70		Manufacturing overhead								
71		Selling and administrative								
72		Dividend								
73		Total disbursements								
74		Excess (deficiency)								
75		Financing:								
76		Borrowing								
77		Repayments								
78		Interest								
79		Total financing								
80		Ending cash balance								
81										

Schedule of Expected Cash Collections.



		April	May	June	Quarter
63					
64	Beginning cash balance	\$ 40,000			
65	Add: Cash collections	170,000			
66	Total cash available	210,000			
67	Less: Cash disbursements				
68	Materials	40,000			
69	Direct labor	15,000			
70	Manufacturing overhead	56,000			
71	Selling and administrative	70,000			
72	Equipment purchase	-			
73	Dividend	49,000			
74	Total disbursements	230,000			
75	Excess (deficiency)				
76	Financing:				
77	Borrowing				
78	Repayments				
79	Interest				
80	Total financing				
81	Ending cash balance				
82					

Schedule of Expected Cash Disbursements.

Budget.

Manufacturing Overhead Budget.

Selling and Administrative Expense Budget.





	A	B	C	D	E	F	G	H	I	J
63			April	May	June	Quarter				
64		Beginning cash balance	\$ 40,000							
65		Add: Cash collections	170,000							
66		Total cash available	210,000							
67		Less: Cash disbursements								
68		Materials	40,000							
69		Direct labor	15,000							
70		Manufacturing overhead	56,000							
71		Selling and administrative	70,000							
72		Equipment purchase	-							
73		Dividend	49,000							
74		Total disbursements	230,000							
75		Excess (deficiency)	(20,000)							
76		Financing:								
77		Borrowing								
78		Repayments								
79		Interest								
80		Total financing								
81		Ending cash balance								
82										

Because Royal maintains a cash balance of \$30,000, the company must borrow \$50,000 on its line-of-credit.





	A	B	C	D	E	F	G	H	I	J
63			April	May	June	Quarter				
64		Beginning cash balance	\$ 40,000							
65		Add: Cash collections	170,000							
66		Total cash available	210,000							
67		Less: Cash disbursements								
68		Materials	40,000							
69		Direct labor	15,000							
70		Manufacturing overhead	56,000							
71		Selling and administrative	70,000							
72		Equipment purchase	-							
73		Dividend	49,000							
74		Total disbursements	230,000							
75		Excess (deficiency)	(20,000)							
76		Financing:								
77		Borrowing	50,000							
78		Repayments	-							
79		Interest	-							
80		Total financing	50,000							
81		Ending cash balance	\$ 30,000							
82										

Because Royal maintains a cash balance of \$30,000, the company must borrow \$50,000 on its line-of-credit.

Ending cash balance for April is the beginning May balance.



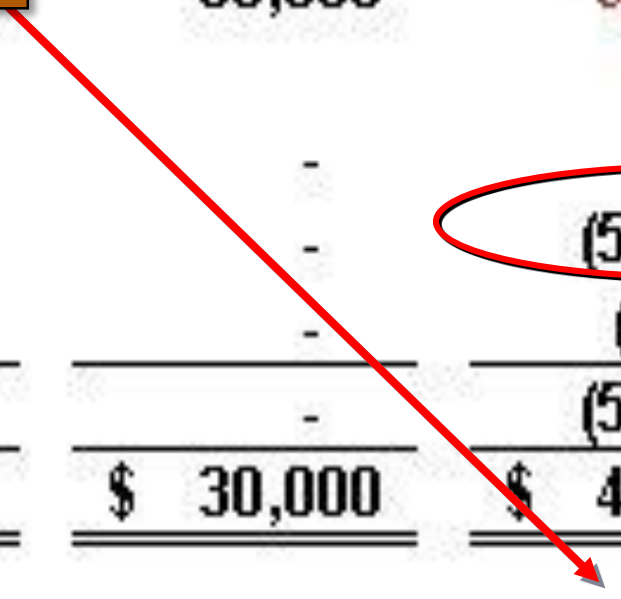
	A	B	C	D	E	F	G	H	I	J
63			April		May		June		Quarter	
64		Beginning cash balance	\$ 40,000		\$ 30,000					
65		Add: Cash collections	170,000		400,000					
66		Total cash available	210,000		430,000					
67		Less: Cash disbursements								
68		Materials	40,000		72,300					
69		Direct labor	15,000		23,000					
70		Manufacturing overhead	56,000		76,000					
71		Selling and administrative	70,000		85,000					
72		Equipment purchase	-		143,700					
73		Dividend	49,000		-					
74		Total disbursements	230,000		400,000					
75		Excess (deficiency)	(20,000)		30,000					
76		Financing:								
77		Borrowing	50,000		-					
78		Repayments	-		-					
79		Interest	-		-					
80		Total financing	50,000		-					
81		Ending cash balance	\$ 30,000		\$ 30,000					
82										





	A	B	C	D	E	F	G	H	I	J
63			April	May	June	Quarter				
64		Beginning cash balance	\$ 40,000	\$ 30,000	\$ 30,000	\$ 40,000				
65		Add: Cash collections	170,000	400,000	335,000	905,000				
66		Total cash available	210,000	430,000	365,000	945,000				
67		Less: Cash disbursements								
68		Materials	40,000	72,300	72,700	185,000				
69		Direct labor	15,000	23,000	15,000	53,000				
70		Manufacturing overhead	56,000	76,000	59,000	191,000				
				85,000	75,000	230,000				
				143,700	48,300	192,000				
				-	-	49,000				
				400,000	270,000	900,000				
				30,000	95,000	45,000				
76		Financing:								
77		Borrowing	50,000	-	-	50,000				
78		Repayments	-	-	(50,000)	(50,000)				
79		Interest	-	-	(2,000)	(2,000)				
80		Total financing	50,000	-	(52,000)	(2,000)				
81		Ending cash balance	\$ 30,000	\$ 30,000	\$ 43,000	\$ 43,000				
82										

$\$50,000 \times 16\% \times 3/12 = \$2,000$
Borrowings on April 1 and
repayment on June 30.





Time for the assessment...



What is the excess (deficiency) of cash available over disbursements for June?

- a. \$ 85,000
- b. \$(10,000)
- c. \$ 75,000
- d. \$ 95,000





What is the excess (deficiency) of cash available over disbursements for June?

- a. \$ 85,000
- b. \$(10,000)
- c. \$ 75,000
- d. \$ 95,000





Summary

Cash Budget Problem





References...



- Accounting for Management, CMA.MN Arora



Thank
you





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