



SNS College of Technology

Coimbatore - 35



23BAT605 – FINANCIAL STATEMENT ANALYSIS
Unit V – BUDGETING

Topic: Guess?????



Presented by

Ms. S. Swarnam
Design Thinker

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Redesigning Common Mind and Business Towards Excellence



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Topic....





Problem 1

The following information has been made available from the accounting records of payment of Precision Tools Ltd. for the last six months of 2019 (and of only sales for January 2020. In respect of Fishplates X produced by it.

(i) The units to be sold in different months are:

July: 2,200

August: 2,200

September: 3,400

October: 3,800

November: 5,000

December: 4,600

January 2020: 4,000

(ii) There will be no work-in-progress at the end of any month.

(iii) Finished units equal to half the sales for the next month will be in stock at the end of every month (including June 2019)

(iv) Budgeted Production and production costs for the year ending Dec. 2019 are as thus:



Production units: 44,000

Direct materials per unit: \$10.00

Direct Wages per unit: \$4.00

Total **Factory Overheads** apportioned to product: \$88,000

Required

It is required to prepare:

- (a) **Production budget** for the last six months of 2019;
- (b) **Production cost** budget for the same period.





Solution

Production Budget (For July to Dec. 2019)							
	July	Aug.	Sep.	Oct.	Nov.	Dec.	Total
Estimated Sales	2,200	2,200	3,400	3,800	5,000	4,600	21,200
Add: Stock at the end	1,100	1,700	1,900	2,500	2,300	2,000	11,500
	3,300	3,900	5,300	6,300	7,300	6,600	32,700
Less: Stock at the beginning	1,110	1,110	1,700	1,900	2,500	2,300	10,600
Production Required	2,220	2,800	3,600	4,400	4,800	4,300	22,100



Production Cost Budget
(July to Dec. 2019)

	July	Aug.	Sep.	Oct.	Nov.	Dec.	Total
Direct Material \$10	22,000	28,000	36,000	44,000	48,000	43,000	2,21,000
Wages \$4	8,800	11,200	14,400	17,600	19,200	17,200	88,400
Factory O/H \$2	4,400	5,600	7,200	8,800	9,600	8,600	44,200
Total Cost	35,200	44,800	57,600	70,400	76,800	68,800	3,53,600

Factory Overhead per unit = $\$88,000 / 44,000 \text{ units} = \2 per unit





Time for the assessment...



Spell out the Procedure for preparing production budget





Summary

PRODUCTION BUDGET PROBLEM





References...

- <https://www.accountancyknowledge.com/functional-budgets-problems-and-solutions/>





Thank
you





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