



# SNS College of Technology

## Coimbatore - 35



23BAT605 – FINANCIAL STATEMENT ANALYSIS  
Unit V – BUDGETING

Topic: Guess?????



**Presented by**

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**1<sup>st</sup> Indian Institution to Implement Design Thinking Curriculum**  
**Redesigning Common Mind and Business Towards Excellence**



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Topic....





Gul Mohammad Incorporation prepared the following figures as a basis for its 2016 Budget:

<i>Product</i>	<i>Expected sales</i>	<i>Estimated per unit Sales Price</i>	<i>Required Materials per unit</i>	
			<i>A</i>	<i>B</i>
Shampoo	80,000 units	Rs. 150	1 kg	2 kg
Soap	40,000 units	50	2 kg	Nil
Powder	100,000 units	80	0.5 kg	1.5 kg

Estimated inventories at the beginning and desired quantities at the end of 2016 are:

<i>Material</i>	<i>Beginning</i>	<i>Ending</i>	<i>Price per kg</i>
A	10,000 kg	12,000 kg	Rs. 20
B	12,000 kg	15,000 kg	10



## Production Budget (in units)

<i>Description</i>	<i>Shampoo</i>	<i>Soap</i>	<i>Powder</i>
Budgeted Sales	80,000	40,000	100,000
Expected Ending Inventory	6,000	2,000	8,000
<b>Total Units Requirements</b>	<b>86,000</b>	<b>42,000</b>	<b>108,000</b>
Beginning Inventory	(5,000)	(4,000)	(10,000)
<b>Production Budget (in Units)</b>	<b>81,000</b>	<b>38,000</b>	<b>98,000</b>



<i>Description</i>	<b>Material A</b>	<b>Material B</b>
Shampoo	81,000 * 1 = 81,000	81,000 * 2 = 162,000
Soap	38,000 * 2 = 76,000	38,000 * 0 = 000
Powder	98,000 * 0.5 = 49,000	98,000 * 1.5 = 147,000
<b>Production Requirement</b>	<b>206,000</b>	<b>309,000</b>
Desired Ending Inventory	12,000	15,000
<b>Total Requirement</b>	<b>218,000</b>	<b>324,000</b>
Beginning Inventory	(10,000)	(12,000)
<b>Material Budget (in unit)</b>	<b>208,000</b>	<b>312,000</b>
Purchase Price	20	10
<b>Material Budget in (amount)</b>	<b>4,160,000</b>	<b>3,120,000</b>





# Time for the assessment...



Spell out the Procedure for preparing production budget







# Summary

## **PRODUCTION & MATERIAL PURCHASE BUDGET PROBLEM**





# References...

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





Thank  
you





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