

## **Chapter 11**

### **E11.9 Supportex**

	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Total</b>
Sales forecast in units	100	110	110	120	110	105	655

Selling price £100 per unit

Sales for May and June are each £11,000

#### **Stocks at 30 June 2001**

Finished product 50 units

#### **Planned stocks July to December 2001**

Jul to Sep 50% of previous months sales

Oct to Dec 20% of previous months sales

Materials 70 units

Jul to Sep 40% of previous months usage

Oct to Dec 100% of previous months usage

Unit standard costs	<b>£</b>
Direct labour	10
Materials	25
Variable overhead	5

	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Total</b>
Finished product forecast (units)							
Opening stoc	50	50	55	55	24	22	50
Production	100	115	110	89	108	104	626
Sales	100	110	110	120	110	105	655
Closing stock	50	55	55	24	22	21	21

#### Materials forecast (units)

Opening stoc	70	40	46	44	89	108	70
Purchases	70	121	108	134	127	100	660
Usage	100	115	110	89	108	104	626
Closing stock	40	46	44	89	108	104	104

#### **£ values**

Direct labour production units x £10	1,000	1,150	1,100	890	1,080	1,040	6,260
Variable overhead production units x £5	500	575	550	445	540	520	3,130
Purchases purchased units x £25	1,750	3,025	2,700	3,350	3,175	2,500	

The value of units purchased in May and June was £2,000 for each month.

Fixed overhead Jul and Aug £5,300, Sep and Oct £6,600, Nov and Dec £4,300.

Direct labour and overheads are paid in the month.

Materials are paid for two months after purchase and the purchases for May and June are each £2,000.

**Cash forecast assuming 30 days credit allowed to customers**

	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Receipts from customers	11,000	10,000	11,000	11,000	12,000	11,000
Payments						
Direct labour	1,000	1,150	1,100	890	1,080	1,040
Materials	2,000	2,000	1,750	3,025	2,700	3,350
Variable overhead	500	575	550	445	540	520
Fixed overhead	5,300	5,300	6,600	6,600	4,300	4,300
Total payments	8,800	9,025	10,000	10,960	8,620	9,210
Month cash flo	2,200	975	1,000	40	3,380	1,790

**Cash forecast assuming 60 days credit allowed to customers**

Receipts from customers	11,000	11,000	10,000	11,000	11,000	12,000
Payments (same as above)	8,800	9,025	10,000	10,960	8,620	9,210
Month cash flo	2,200	1,975	0	40	2,380	2,790

30 days credit allowed to customers would achieve the aim of a positive cash flow for each of the months July to December 2001.

60 days credit allowed to customers would achieve the aim of a positive cash flow for each of the months July to December 2001 except for September where cash flow is zero.

**E11.10 Grand Slam**

(i)

Sales price	£12		<b>for info</b>			
	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Total</b>
<b>Sales budget</b>						
<b>Units</b>	10,000	15,000	20,000	15,000	10,000	45,000
<b>Sales value</b>	£120,000	£180,000	£240,000			£540,000
	<b>£</b>	<b>£</b>	<b>£</b>			
1 <sup>st</sup> half of the month	60,000	90,000	120,000			
Less bad debts at 1%	<u>(600)</u>	<u>(900)</u>	<u>(1,200)</u>			
	59,400	89,100	118,800			
Less discount at 2% on 50%	<u>(594)</u>	<u>(891)</u>	<u>(1,188)</u>			
<b>Cash receipts from customers</b>	<b>Jan <u>58,806</u></b>	<b>Feb <u>88,209</u></b>	<b>Mar <u>117,612</u></b>			
2 <sup>nd</sup> half of the month	60,000	90,000	120,000			
Less bad debts at 1%	<u>(600)</u>	<u>(900)</u>	<u>(1,200)</u>			
	59,400	89,100	118,800			
Less discount at 2% on 50%	<u>(594)</u>	<u>(891)</u>	<u>(1,188)</u>			
<b>Cash receipts from customers</b>	<b>Feb <u>58,806</u></b>	<b>Mar <u>88,209</u></b>	<b>Apr <u>117,612</u></b>			
<b>Total customer cash receipts</b>	<b>Jan 58,806</b>	<b>Feb 147,015</b>	<b>Mar 205,821</b>			
<b>Bad debts</b>	<b>Jan 1,200</b>	<b>Feb 1,800</b>	<b>Mar 2,400</b>			
<b>Discount</b>	<b>Jan 594</b>	<b>Feb 1,485</b>	<b>Mar 2,079</b>			

			<b>for info</b>			
	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Total</b>
<b>Production budget (units)</b>						
Opening stoc	0	3,000	4,000	3,000	2,000	0
Production	13,000	16,000	19,000	14,000		48,000
Sales	10,000	15,000	20,000	15,000	10,000	45,000
Closing stock	3,000	4,000	3,000	2,000		3,000

<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Total</b>
<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>

**Direct labour budget**

Production units				
x £1.80 per model	23,400	28,800	34,200	86,400

**Overheads budget**

Production units				
x £2.40 per model	31,200	38,400	45,600	115,200
less: Depreciation	(5,000)	(5,000)	(5,000)	(15,000)
	26,200	33,400	40,600	100,200

(ii)

	Jan	Feb	Mar	for info Apr	Total
<b>Materials purchases and usage budget (kg)</b>					
Opening stoc	4,400	6,400	7,600	5,600	4,400
Purchases	15,000	17,200	17,000		49,200
Usage	13,000	16,000	19,000	14,000	48,000
Closing stock	6,400	7,600	5,600		5,600

**Materials purchases and usage budget (£)**

	Jan	Feb	Mar	Total
	1 kg per model at £3 per kg			
Opening stoc	13,200	19,200	22,800	13,200
Purchases	45,000	51,600	51,000	147,600
Usage	39,000	48,000	57,000	144,000
Closing stock	19,200	22,800	16,800	16,800

**Cost of sales budget (£)**

Materials	39,000	48,000	57,000	144,000
Direct labour	23,400	28,800	34,200	86,400
Overheads (incl. depreciation)	31,200	38,400	45,600	115,200
Total cost of sales	93,600	115,200	136,800	345,600

	Jan	Feb	Mar	Total
	£	£	£	£
<b>Selling and administrative costs budget</b>				

Selling and distribution costs	12,000	18,000	24,000	54,000
Administrative expenses	40,000	40,000	40,000	120,000
Less: Depreciation	(1,000)	(1,000)	(1,000)	(3,000)
	51,000	57,000	63,000	171,000
Plus: Bad debts	1,200	1,800	2,400	5,400
Plus: Discount	594	1,485	2,079	4,158
	52,794	60,285	67,479	180,558

(iii)

	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Total</b>
<b>Profit and loss account budget</b>				
<b>Sales units</b>	10,000	15,000	20,000	45,000
<b>Figures in £</b>				
<b>Sales</b>	120,000	180,000	240,000	540,000
Cost of sales (incl. depreciation)	93,600	115,200	136,800	345,600
<b>Gross margin</b>	26,400	64,800	103,200	194,400
Selling and administrative costs (incl. depreciation, bad debts, and discount)	52,794	60,285	67,479	180,558
<b>Profit/(loss)</b>	(26,394)	4,515	35,721	13,842

(iv)

	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Total</b>
<b>Cash flow budget (£)</b>				
<b>Customer receipts</b>	58,806	147,015	205,821	411,642

Supplier payments	0	45,000	51,600	96,600
Direct labour	23,400	28,800	34,200	86,400
Overheads	0	26,200	33,400	59,600
Selling and administrative costs	0	51,000	57,000	108,000
<b>Total payments</b>	23,400	151,000	176,200	350,600
<b>Cash flow</b>	35,406	(3,985)	29,621	61,042
<b>Opening balance</b>	0	35,406	31,421	0
<b>Closing balance</b>	35,406	31,421	61,042	61,042