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Master Budget for DIY Flower Vase



Submitted to:

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Master Budget for DIY Flower Vase



An ACT202.24 Project Report on

“DIY Flower Vase”

Submitted to:

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Course: **ACT202**. Section: **24**

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Master Budget for DIY Flower Vase

Letter of Transmittal

25th November, 2023

Mr. Rezwanul Mumtahir Husain

Department of Accounting and Finance

North South University, Dhaka, Bangladesh

Subject: Submission of ACT202.24 Project Report - Master Budget for DIY Flower Vase

Assalamawalikum **Mr. Rezwanul Mumtahir Husain, Sir.**

I hope this message finds you well. We used the DIY Flower Vase to apply management accounting concepts in a realistic and relevant way, and we think this report will help us comprehend budgeting in a real-world corporate environment. We followed your canvas instructions carefully.

Your help and thoughtfulness during the endeavor are much appreciated.

With Regards,

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Master Budget for DIY Flower Vase

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Master Budget for DIY Flower Vase

Abstract

The goal of the Flower Vase Production and Master Budget project was to develop a detailed budget for the project and to design, manufacture, and sell a flower vase utilizing do-it-yourself (DIY) techniques. The initiative accomplished its goals, showing that bringing a do-it-yourself flower vase to market while staying under budget is possible. A beautiful, practical, and reasonably priced flower vase was the design that the project team settled on. The construction method was carefully documented and simplified so that anybody with basic DIY abilities could easily replicate it. Financial control and adherence to budgetary restrictions were given via a comprehensive master budget that included all project expenditures. The results and suggestions of the experiment provide helpful information for improving and marketing the flower vase. Marketing tactics and product offers may be fine-tuned by first identifying target consumers and learning about their preferences through market research. Achieving market penetration and driving sales requires a well-thought-out marketing strategy. Furthermore, to increase market appeal and reach, consider looking for options to expand the product line with additional designs or accessories for flower vases.

The Flower Vase Production and Master Budget project showed us the potentiality of our product that it was possible to make and sell a do-it-yourself flower vase within a reasonable budget. To guarantee the product's continued success in the market, the project's results and suggestions lay out a course for future development and expansion.



Master Budget for DIY Flower Vase

Introduction

Do-it-yourself (DIY) projects have grown in popularity, allowing people to express their creativity and create unique items for personal or commercial use. Using DIY methods to design, produce, and promote a flower vase and setting a master budget ensures the project's financial viability. The flower vase has long been a critical feature in interior design, adding magnificent floral arrangements to home and commercial spaces. This project aims to create an attractive, practical, affordable flower vase for various consumers with different tastes and budgets. The program encourages creativity and self-reliance by providing DIY flower vase kits to people of all skill levels. We will rigorously document flower vase production and provide detailed instructions to help customers replicate it.

The master budget, a financial planning tool, will be carefully created to cover all project expenditures, from materials and personnel to marketing. This detailed budget ensures budgetary limits are met and provides significant information for strategic planning and forecasting. The project's findings may help develop and commercialize the flower vase. Our company will do market research to determine our target customers' preferences. This will help us create audience-targeted marketing and product offers.

A multi-channel marketing approach will promote the flower vase on internet markets, social media, and local craft fairs. Company proactiveness ensures product success in the market, increasing sales and market penetration. Diversifying the product line with various flower vases or accessories may increase its appeal and commercial reach. Expanding product options to meet more consumer needs may boost the product's marketability and long-term success. The Flower Vase Production and Master Budget study aims to determine product economic feasibility and market sustainability. Creating a DIY culture and laying the groundwork for its execution achieves this.

Master Budget for DIY Flower Vase

Master Budget

Creative Company is preparing budgets for November and December.

Budgeted sales for the next two months are:

📅 November 1200 units

📅 December 1344 units

The selling price is \$1000 per unit in November. Selling Price goes up by 15% in the following month. Monthly sales (Physical Units) growth will be 12%

Sales Budget

	November	December	TOTAL
Budget sales	1200	$1200 \times 1.12 = 1344$	2544
Per unit Price	BDT 1000	BDT $(1000 \times 1.15) =$ BDT 1150	-
Total sales price	BDT 12,00,000	BDT 1545600	2745600

All sales are on account.

Royal's collection pattern is:

- 📅 80% collected in the month of sale,
- 📅 12% collected in the month following sale,
- 📅 5% uncollectible.

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Expected Cash Collection

	November	December	Total
Account Receivables	0		0
November Sale:			
80% x 12,00,000	960,000		960,000
12% x 12,00,000		144,000	144,000
December Sale:			
80% x 1545600		1,236,480	1,236,480
Total Cash Collection	BDT 960,000	BDT 1,380,480	BDT 2,340,480

The management at Creative Company wants ending inventory to equal 20% of the following month's budgeted sales in units.

On November 1, there is no ending inventory

Budget December sales ending inventory $1200 \times 20\% = 240$ units

Production Budget

	November	December	Total
Budget sales	1,200	1,344	2,544
Add: Desired Ending Inventory	$1,344 \times 20\% = 268.8$	536 (Assumed)	536

Master Budget for DIY Flower Vase

Total Need	1,468.8	1,880	2,844
Less: Beginning Inventory	0	268.8	0
Required Production	1,468.8	1,612.8	3,080

- ✚ At Royal Company, *ten pounds* of material are required per unit of product.
- ✚ Management wants materials on hand at the end of each month equal to *10%* of the following month's production.

Material cost is *BDT 0.35* per pound. It is also increased by *20%* in the following month

- ✚ 80% of a month's purchases are paid for in the month of purchase; the other 20% is paid in the following month.

November 1, no Accounts payable

Let's prepare the direct materials budget:

A schedule of expected cash disbursements for purchases of materials

	November	December	Total
Production	1,468.8	1,612.8	3,080
Materials per unit (Pound)	10	10	10
Production needs	14,688	16,128	30,800
Add: Desired ending inventory	16,128 10%=1612.8	x 800 (Assumed)	800
Total needed	16,300.8	16,928	31,600
Less: Beginning Inventory	-	1,612.8	-

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Materials to be purchased	16,300.8	15,315.2	31,600
Cost per pound	0.35	0.42	-
Total cost of material	BDT 5,705.3	BDT 6,432.4	BDT 12,137.7

Expected Cash Disbursement for Materials

	November	December	Total
Accounts Payables	0		0
November purchase			
16300 x .35 x80%	4,564		4,564
16300 x.35x20%		1,141	1,141
December purchase			
15315.2 x(.35x1.2) x 80%		5,146	5,146
Total cash disbursement	4,564	6,287	10,851

Direct Labor Budget

Each product unit requires 0.05 hours (3 minutes) of direct labor.

Our workers agree to a wage rate of BDT 90 per hour regardless of the hours worked. We don't have any overtime pay.

The direct labor workforce will be paid for Based On their Minimum Hour. How many times do they work for our company?

Master Budget for DIY Flower Vase

	November	December	Total
Units Of Production	1,468.8	1,612.8	3,081.6
Direct Labor Per Unit	0.05	0.05	0.05
Labors Hour Required	73.44	80.64	154.08
Hourly Wage Rate	90	90	90
Total Direct Labor Cost	BDT 6,609.6	BDT 7,257.6	BDT 13,867.2

Manufacturing overhead Budget

Manufacturing overhead is applied to units of product based on direct labor hours. The variable manufacturing overhead rate is BDT 40 per direct labor hour. Fixed manufacturing overhead is BDT 5,000 per month and includes BDT. 2,000 of noncash costs.

	November	December	Total
Budgeted Direct Labor Hour	73.44	80.64	154.08
Variable MOH Rate	40	40	40
Variable MOH Cost	2,937.6	3225.6	6,163.2
Fixed MOH Cost	5,000	5,000	16,163.2
Total MOH Cost	7,937.6	8,225.6	16,163.2
Less-Noncash Cost	2,000	2,000	4,000
Cash Disbursement OF MOH	5,937.6	6,225.6	12,163.2

Selling & Administrative Expense

- The selling and administrative expenses budget is divided into variable and fixed components.
- The variable selling and administrative expenses are 0.60 per unit sold.

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- Fixed selling and administrative expenses are BDT 4,000 per month. And Noncash Expense 2000.

	November	December	Total
Budgeted Sales	1,200	1,344	2,544
Variable Selling & Administrative rate	0.60	0.60	0.6
Variable Expense	720	806.4	1526.4
Fixed Selling & Administrative Expense	4000	4,000	8,000
Total Selling & Administrative Expense	4720	4806.4	9,526.4
Less- Noncash Expense	2,000	2,000	2,000
Cash Selling & Administrative Expense	2,720	2806.4	7,526.4



Cash Budget

- Maintains a 15% open line of credit.
- Maintains a minimum cash balance of BDT. 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 BDT. 5,000 in November
- Has a November 1 cash balance of BDT. 20,000

Cash Budget			
	November	December	Total
Beginning cash balance	20,000	955,169	975169

Master Budget for DIY Flower Vase

Add: Cash collections	960,000	1,380,480	2340480
Total cash available	980,000	2335649	3315649
Less: Cash disbursements			
Materials	4564	6287	10851
Direct labor	6,609.60	7,257.60	13,867
Manufacturing overhead	5937.6	6225.6	12,163
Selling and administrative	2,720	2,806	5,526
Equipment purchase	0	0	0
Dividend	5000		5000
Total disbursements	24831.2	22576.2	47407.4
Excess (deficiency)	955,169	2313073	3268242
Financing:			
Borrowing	0	0	0
Repayments	0	0	0
interest	0	0	0
Total financing	0	0	0
Ending cash balance	955,169	2,313,073	3,268,242

Ending Finished Goods Inventory Budget

Production cost per unit	Quality	Cost	Total
Direct material	10 lbs	0.35tk	3.5 tk
Direct labor	0.05	90tk	4.5tk
Manufacturing overhead	0.05	104.901 tk	<u>5.25tk</u>
			<u>13.25 tk</u>

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Budgeted Finished Goods Inventory

Ending inventory in units	536
Unit product cost	<u>13.25tk</u>
Ending finished goods inventory	<u>7,102 tk</u>

✚ Total manufacturing overhead cost/ total labor hours required = $16163.2 / 154.08$
 = 104.901 tk per DLH

Creative Company

Budgeted Income Statement

For the month ended December 31

Sales (2544units @ 1150tk)	2,925,600 tk
Cost of goods sold (2544units @ 13.25tk)	<u>33,708</u>
Gross margin	2,891,892
Selling and administration expenses	<u>9,526.4</u>
Operating expense	2,882,365.6
Interest expense	<u>0</u>
Net income	<u>2,882,365.6 tk</u>

Determine the prime cost and conversion cost:

✚ Prime cost = direct material cost + direct labor cost
 = $12,137.7 + 13,867.2 = 26,004.9$

✚ Conversion cost = direct labor cost + manufacturing overhead cost
 = $13,867.2 + 16,163.2 = 30,030.4$

Master Budget for DIY Flower Vase

Conclusion

The Flower Vase Production and Master Budget experiment suggests that it is feasible to manufacture and sell a self-made flower vase at an affordable price. I successfully engaged in the process of conceptualizing, fabricating, and commercializing a floral receptacle using self-directed methodologies, all the while concurrently formulating a comprehensive financial plan. The project team carefully selected a flower vase design that is aesthetically pleasing, functional, and offered at a reasonable price. Individuals who engage in do-it-yourself activities have the ability to imitate the production technique effectively. The crew diligently recorded the production process in order to facilitate the dissemination of their knowledge.

The master budget, a crucial instrument for financial planning, comprehensively delineates all project expenditures, encompassing materials, staff, and advertising. Furthermore, this all-encompassing budget not only enables the facilitation of future planning and forecasting but also ensures the attainment of financial sustainability. The findings and recommendations of the study lend support to the notion of developing and marketing flower vases. Conducting market research is crucial in the domains of marketing and product development as it enables the identification of target customers and their preferences. Implementing a thorough marketing plan is vital to penetrate the market and achieve sales for the flower vase. The potential of the product's attractiveness and market penetration might be augmented by incorporating supplementary models or accessories into the existing flower vase range.

The Flower Vase Production and Master Budget project demonstrated the feasibility of producing and marketing a flower vase at a reasonable cost. To ensure the product's success in the market, the study's results and recommendations provide guidance for its growth and expansion.

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Appendix

Pictures of our do-it-yourself (DIY) flower vase sample product:

