BUDGETING

GROUP ASSIGNMENT

Topic: Budgeting.

Solu -

Qn 1. Required:

@ Sales budget. (shs.)

= (units × selling price)

Months/Products	AX	XB	XC
April	1,200 × 75	950 × 63	1,300 × 65
	= 90,000	= 59,850	= 84,500
May	1,350 × 75	1,150 × 63	1,230 × 65
	= 101,250	= 72,450	= 79,950
June	1350 × 75	1,150 × 63	1,300 × 65
	101,250	= 72,450	= 84,500
	292,500	204,750	248,950

Total sales budget = AX + XB + XC

= 292,500 + 204,750 + 248,950

= 746,200.

b) Production budget – units

From: Sales units = opening unit + production unit − Closing stock.

Production unit = Sales units + ~~opening unit~~ Closing stock − opening stock.

- Dealing with finished goods (FG) not raw materials units.

Products (units)	XA	XB	XC
Budgeted sales	3,900	3250	3830
Add: closing stock (FG)	1,500	1300	1350
Add: Cost of goods available for sale			
less: opening stock (FG)	(1,200)	(1,150)	(1250)
Total production budget	4,100	3,400	3970

Note: Budgeted sales

XA = Given budgeted sales April + May + June

1,200 + 1350 + 1350 = 3900 units

XB = 950 + 1,150 + 1150 = 3250 units

XC = 1300 + 1230, 1300 = 3,830 Units

c> Material usage and cost budgeting.

	XA	XB	XC	
Production units	4100	3400	3930	Production units × Usage/unit material
Material ~~Usage~~ units	1.50	1.25	1.30	
Material usage	6,150	4250	5,109	

Then: Given cost per unit of material - cost budgeting

= Shs. 13 (Material B Common to all products)

	XA	XB	XC
Material usage	6,150	4250	5109

cost / unit	13	13	13	Material usage x cost/unit of Material
cost budget	79,950	55,250	66,417	

Total Material usage = $X_A + X_B + X_C$

= 6,150 + 4250 + 5,109

= 15,509 units.

Total cost budgeting = $X_A + X_B + X_C$

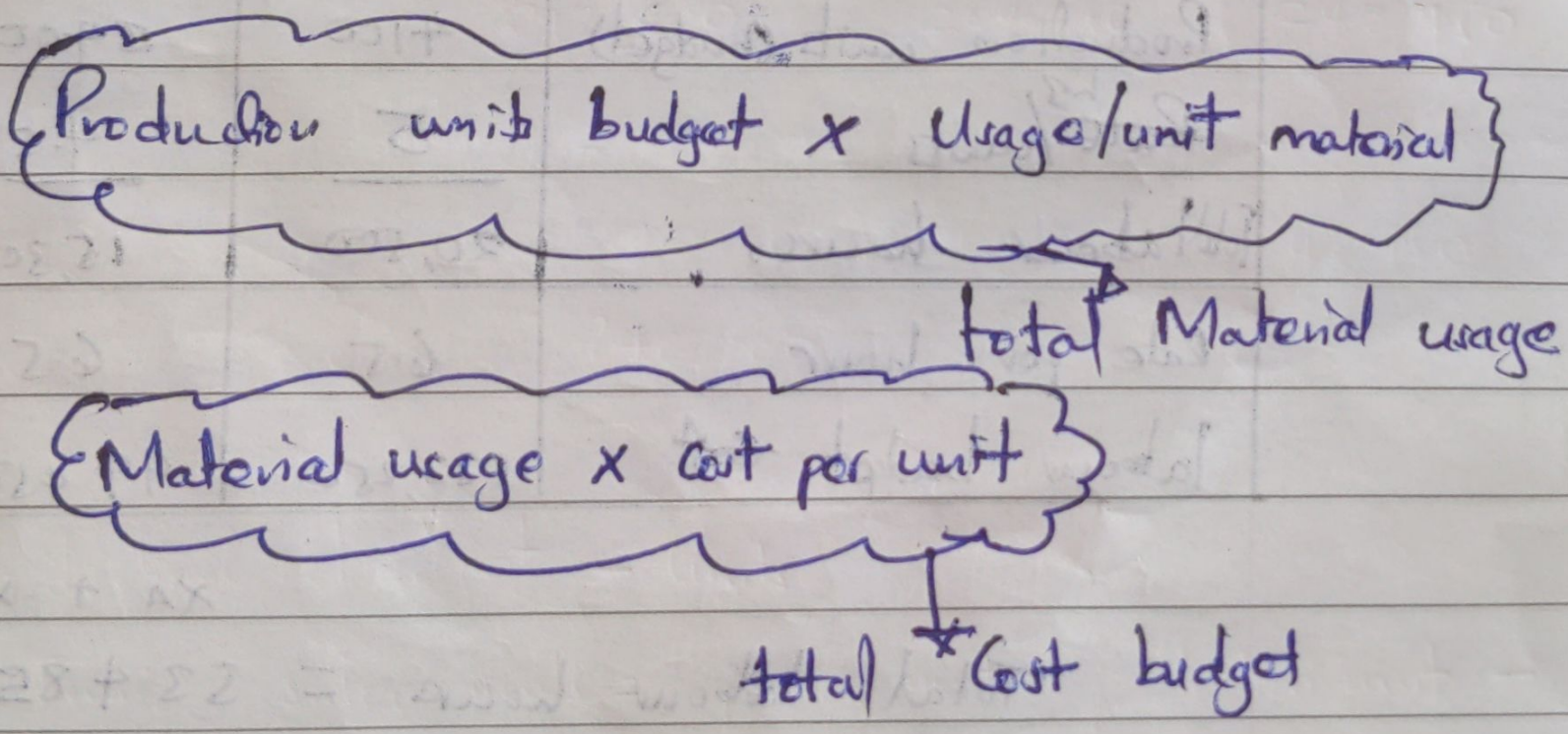
= 79,950 + 55,250 + 66,417

= 201,617 ths.

d) ~~Material purchases budget~~

Note:

Material usage and Cost budget =



RM → Raw Material.

d> Material purchases budget.

Total Material usage (units) 15,509

Products	XA	XB	XC
Material usage	6,150	4250	5,109
Add: closing inventory RM	5,100	5100	5,100
less: Opening inventory RM	(5,000)	(5000)	(5000)
Material purchase budget	6,250	4,350	5,209

Total purchase budget = XA + XB + XC

= 6,250 + 4350 + 5,209

= 15,809. * use total = 15609

e> Labour Budget – hrs rate

Products	XA	XB	XC
Production units (budget)	4100	3400	3930
hrs/units	5	4.5	4.5
Total labour hours.	20,500	15,300	17,685
Rate per hour	6.5	6.5	6.5
labour budget cost	133,250	99,450	114,952.5

XA + XB + XC

Total labour hours = 53485 hrs.

Total budget cost / Rate per hr = 347,652.5.

OH budget { Production OH budget - VOH + FOH
- Selling and Distribution OH budget
- Administrative OH budget

f> Production overhead budget.

Production overheads = Variable + Fixed + selling and distribution.

= 78,300 + 52,400 + 50,000

= 180,700 shs. *

* POB = VOH + FOH = 130,700

Addition Note Format

POB - Production OH budget

XA XB XC

Variable costs OH: = Total labour hr req for production x Est. 20,500

Indirect Material

Indirect Labour

Variable OH cost / direct labour hr

=

Semi V.C & (Mixed) =

Power

Maintanance

Fixed cost: =

Depreciation

Rent

Total cost ———

XXX

g) Budgeted stock Valuation.

= Closing stock of Finished goods × cost per unit

Cost per unit = Cost budget of MU (she)
Production budget (units)

MU - Material usage

Product	XA =	XB	XC
Production budget units	4100	3400	3930
Cost budget of Musage	79950	55250	66417
Cost per unit	19.5	16.25	16.9
Closing stock (FG)	1500	1300	1350
Budgeted stock valuation	29,250	21,125	22,815

= 73,190

h) Finished goods valuation

- FGV = Total OH cost/unit × Closing stock FG
- Material/units = Material unit per cue × cost per unit of Material
- Labour/units = standard hour/unit × Rate per hour
- Total OH cost = Material/units + Labour/units

Product	XA	XB	XC
Closing stock (FG) units.	1500	1300	1350

Material units per CUO units	1·5	1·25	1·3
Cost per unit of Material (Sh)	13	13	13
Material per unit (Sh)	19·5	16·25	16·9
Standard hrs/unit/hrs	5	4·5	4·5
Rate per hour (Shs)	6·5	6·5	6·5
Labour/units	32·5	29·25	29·25
Total ~~cost~~ OH cost	52	45·5	46·15
Finished goods valuation	78,000	59,150	62,302·5
			199,452·5

② Budgeted operating statement.

Sales	776,200
less: Cost of Goods sold (COGS)	679,969·5
Gross profit	66,230·5
Add: Administration (selling and distribution)	50000
Budgeted operating statement	116,230·5

Workings N·B: cost of goods sold = MC + LC + OH cost +

MC = 201,617

(total cost budget Material usage)

LC = 347,652·5

total labour budgeted cost/rate per hr

OH cost = 130,700 - Production OH budget

679,969·5