

Illustration 2:

From the following prepare Cash Budget for the period from 1st March to 31st August when the opening Cash Balance was Rs. 40,000.

Month	Sales	Selling Expenses	Purchases	Wages	Factory Expenses	Administration Expenses
January	3,40,000	14,000	1,60,000	30,000	20,000	10,000
February	3,20,000	15,000	1,68,000	32,000	22,000	11,000
March	5,64,000	13,000	1,66,000	3,36,000	16,000	9,000
April	3,10,000	13,600	1,66,000	24,000	21,000	9,400
May	3,30,000	14,800	1,52,000	36,000	24,000	10,800
June	4,00,000	14,000	1,36,000	32,000	19,200	11,400
July	3,60,000	12,000	34,000	34,000	16,000	10,000
August	4,40,000	11,000	1,16,000	33,000	19,200	10,000

- (a) Period of credit allowed by suppliers and to customers 1 month.
- (b) Lag in Payment of:
- (i) Wages : 1 month
 - (ii) Factory Expenses : 1 month
 - (iii) Administration Expenses : 1 month
 - (iv) Selling Expenses : 1 month
- (c) Machinery purchased for Rs. 1,00,000 in March payable on delivery in April.
- (d) Building purchased in April Rs. 3,00,000 payable in two equal instalments in May and July.
- (e) Commission of 3% on sales payable two months after sales.

Solution:

Cash Budget for six months March to August

Particulars	March Rs.	April Rs.	May Rs.	June Rs.	July Rs.	August Rs.
Receipts:						
(I) Collection from Debtors (Next Month)	3,20,000	5,64,000	3,10,000	3,30,000	4,00,000	3,60,000
Total Receipts [A]	3,20,000	5,64,000	3,10,000	3,30,000	4,00,000	3,60,000
Payments:						
(I) Creditors for Purchases (After 1 Month)	1,68,000	1,66,000	1,66,000	1,52,000	1,36,000	34,000
(II) Wages (Next Month)	32,000	3,36,000	24,000	36,000	32,000	34,000
(III) Factory Expenses (Next Month)	22,000	16,000	21,000	24,000	19,200	16,000
(IV) Administration Expenses (Next Month)	11,000	9,000	9,400	10,800	11,400	10,000
(v) Selling Expenses (Next Month)	15,000	13,000	13,600	14,800	14,000	12,000
(vi) Machinery	-	1,00,000	-	-	-	-
(vii) Building	-	-	1,50,000	-	1,50,000	-
(viii) Commission on Sales @ 3% (After 2 months)	10,200	9,600	16,920	9,300	9,900	12,000
Total Payments [B]	2,58,200	6,49,600	4,00,920	2,46,900	3,72,500	1,18,000
Net Receipts [A - B]	61,800	(85,600)	(90,920)	83,100	27,500	2,42,000
Add: Opening Balance	40,000	1,01,800	16,200	(74,720)	8,380	35,880
Closing Balance	1,01,800	16,200	(74,720)	8,380	35,880	2,77,880

Illustration 3:

Illustration 4:

Prepare cash budget from the following information:

(Amount in Rupees)

Month	Sales	Purchase	Wages	Expenses	Other Expenses
December 2005	58,000	38,000	11,000	9,000	7,000
January 2006	97,000	27,000	14,000	8,000	8,000
February 2006	82,000	26,000	11,000	7,000	3,000
March 2006	98,000	24,000	21,000	5,000	4,000

Other Information:

- (1) Cash in hand on 1.12.2005 was Rs. 11,034 and any short fall is to be met with through temporary loans.
- (2) 30% sales are for cash and debtors get realised in 2 months period equally.
- (3) One month credit is available from creditors for purchases.
- (4) All other expenses are incurred on 1st of next month.
- (5) Expenses includes depreciation of Rs. 1,000 per month.

Solution:

Cash Budget for 3 Months December 2005 to March 2006

(All Figures in Rs.)

Particulars	December Rs.	January Rs.	February Rs.	March Rs.
Opening Balance	11,034	11,034	11,034	21,684
Receipts:				
(i) Cash Sales (30%)	17,400	29,100	24,600	29,400
(ii) Collection from Debtors:				
(a) After 1 Month (35%)	—	20,300	33,950	28,700
(b) After 2 Month (35%)	—	—	20,300	33,950
(iii) Temporary Loans (If required)	1,600	16,600	—	—
Total Receipts Including Opening Balance [A]	30,034	77,034	89,884	1,13,734
Payments:				
(i) Creditors for Purchases (After 1 Month)	—	38,000	27,000	26,000
(ii) Wages	11,000	14,000	11,000	21,000
(iii) Cash Expenses	8,000	7,000	6,000	4,000
(iv) Other Expenses (Next Month)	—	7,000	6,000	3,000
(v) Repayment of Temporary Loans (If taken)	—	—	18,200	—
Total Payments [B]	19,000	66,000	68,200	54,000
Closing Balance [A - B]	11,034	11,034	21,684	59,734

75% same month

Illustration 7:

Prepare Cash Budget of Sunil Gavaskar Ltd. for the months of April, May and June, 2002:

Month	Sale	Purchases	Wages	Expenses
January	1,60,000	90,000	40,000	10,000
February	1,60,000	80,000	36,000	12,000
March	1,50,000	84,000	44,000	12,000
April	1,80,000	1,00,000	48,000	14,000
May	1,70,000	90,000	40,000	12,000
June	1,60,000	70,000	36,000	10,000

You are informed that:

- (1) 50% of the purchases and sales are on cash.
- (2) The average collection period of the company is $\frac{1}{2}$ month and credit purchases are paid off regularly after 1 month.
- (3) Time lag in payment of wages is 1 month.
- (4) Rent of Rs. 1,000 is payable every month.
- (5) Cash and Bank Balance as on 31st March, 2002 was Rs. 3,00,000
- (6) Dividend received in May Rs. 36,000.
- (7) Professional fees to be paid in June Rs. 1,500.
- (8) Expenses are paid in the same month.

Solution:

Sunil Gavaskar Ltd.
Cash Budget for 3 months April to June 2002

Particulars	April (Rs.)	May (Rs.)	June (Rs.)
Receipts:			
(1) Cash Sales (50%)	90,000	85,000	80,000
(2) Collection from Debtors:			
(a) Same Month [$\frac{1}{2}$] (25%)	45,000	42,500	40,000
(b) Next Month [$\frac{1}{2}$] (25%)	37,500	45,000	42,500
(3) Dividend Received	—	36,000	—
Total Receipts (A)	1,72,500	2,08,500	1,62,500
Payments:			
(1) Cash Purchases [50%]	50,000	45,000	35,000
(2) Creditors for Purchases [50%] (After 1 Month)	42,000	50,000	45,000
(3) Wages (After 1 Month)	44,000	48,000	40,000
(4) Rent	1,000	1,000	1,000
(5) Professional Fees	—	—	1,500
(6) Expenses (Same Month)	14,000	12,000	10,000
Total Payments (B)	1,51,000	1,56,000	1,32,500
Net Receipts (A - B)	21,500	52,500	30,000
Add: Opening Balance	3,00,000	3,21,500	3,74,000
Closing Balance	3,21,500	3,74,000	4,04,000

Workings Notes:

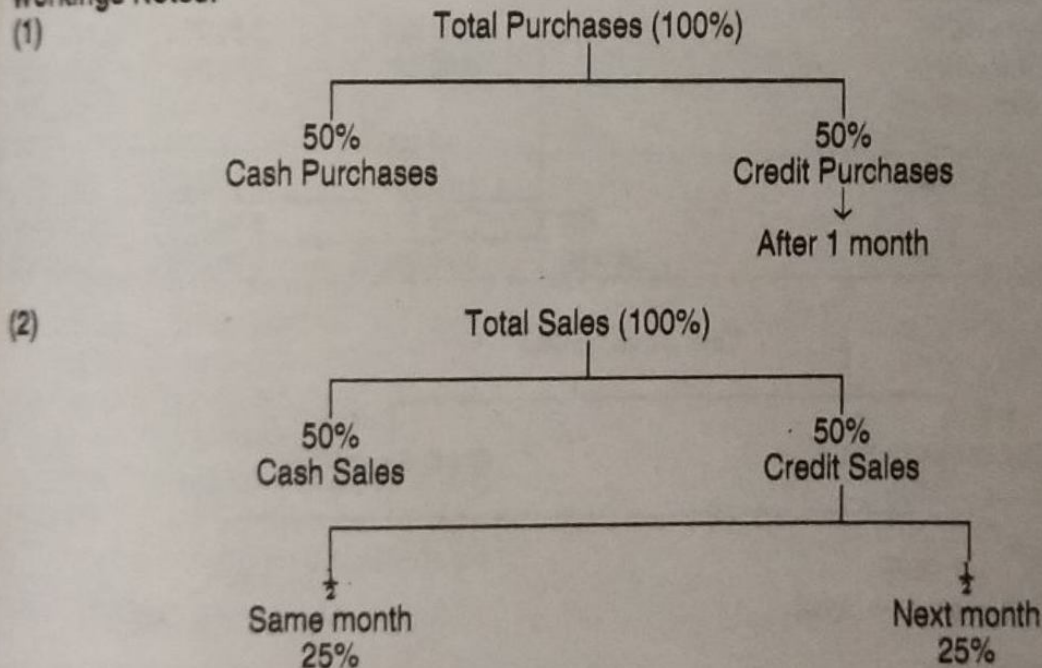


Illustration 8:

Prepare Cash Budget of SALMAN Ltd. for 3 months commencing from April with the help of following information.

- (I) Cash sales are 25% of total sales.
- (II) 60% of credit sales are collected in the same month and balance 40% in the following month.

Month	Sale	Purchases	Wages
March	16,00,000	5,00,000	—
April	6,00,000	6,40,000	1,60,000

May	8,00,000	6,40,000	1,60,000
June	8,00,000	9,60,000	2,00,000
July	12,00,000	8,00,000	2,00,000

- (iii) Payment for purchases is made 40% in the same month and 60% in the following month.
- (iv) Interest @ 6% on debentures of Rs. 2,00,000 is paid in the month of June.
- (v) Rent of Rs. 8,000 paid per month.
- (vi) Dividend received in May Rs. 22,000.
- (vii) Cash balance as on 31st March is Rs. 2,00,000.

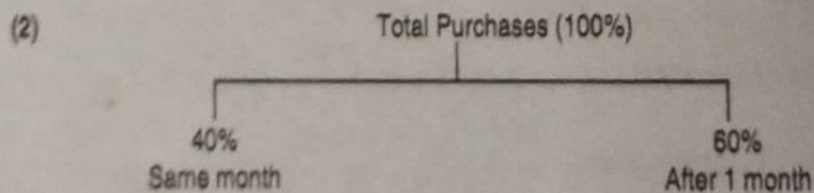
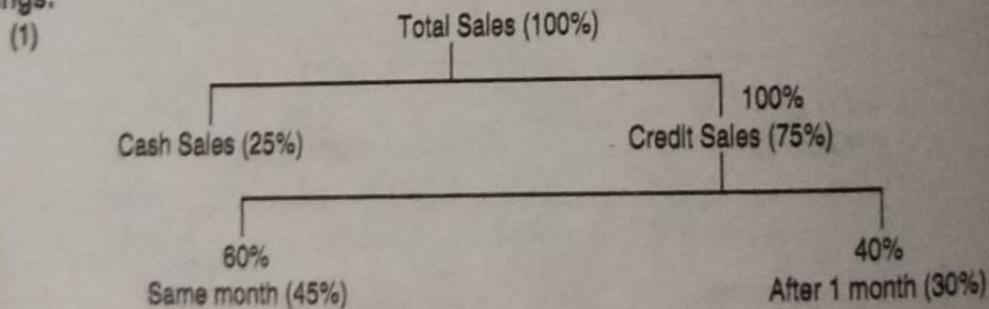
Solution:

SALMAN Ltd.

Cash Budget for 3 month: April to June

Particulars	April Rs.	May Rs.	June Rs.
Opening balance	2,00,000	3,76,000	3,30,000
Receipts:	1,50,000	2,00,000	2,00,000
(i) Cash Sales (25%)			
(ii) Collection from Debtors:			
(a) Same month (45%)	2,70,000	3,60,000	3,60,000
(b) After 1 month (30%)	4,80,000	1,80,000	2,40,000
(iii) Dividend	-	22,000	-
Total Receipts Including Opening balance (A)	11,00,000	11,38,000	11,30,000
Payments:			
(i) Creditors for purchases:			
(a) Same Month (40%)	2,56,000	2,56,000	3,84,000
(b) After 1 month (60%)	3,00,000	3,84,000	3,84,000
(ii) Interest on Debentures	-	-	12,000
(iii) Rent	8,000	8,000	8,000
(iv) Wages	1,60,000	1,60,000	2,00,000
Total Payment (B)	7,24,000	8,08,000	9,88,000
Closing Balance (A - B)	3,76,000	3,30,000	1,42,000

Workings:



- (3) Interest on Debentures:
 $2,00,000 \times 6\% = \text{Rs. } 12,000$

Illustration 9:

Following details are available from the records of a firm. Prepare a cash budget for the 3 months ending 30.06.2006.

Month	Sales (Rs.)	Materials (Rs.)	Wages (Rs.)	Overheads (Rs.)
February	14,000	9,600	3,000	1,700
March	15,000	9,000	3,000	1,900
April	16,000	9,200	3,200	2,000
May	17,000	10,000	3,600	2,200
June	18,000	10,400	4,000	2,300

Additional Information:

- 10% sales are on cash.
- 50% of the credit sales are collected next month and the balance in the following month.
- Period of credit allowed by suppliers 2 months.
- Delay in payment of wages 1/4th month.
- Delay in payment of overheads 1/2 month.
- Cash and Bank Balance on 1.04.2006 is expected to be 6,000.
- Plant and Machinery will be installed in February 2006 at a cost of Rs. 96,000. The monthly installment of Rs. 2,000 are payable from April 2006 onwards.
- Advance to be received for sale of vehicle Rs. 9,000 in June.
- Dividend from investments Rs. 1,000 is expected to be received in June 2006.
- Advance Income Tax to be paid in June 2006 Rs. 2,000.

Solution:**Cash Budget for 3 Months ending 30.06.2006**

Particulars	April (Rs.)	May (Rs.)	June (Rs.)
Opening Balance	6,000	3,950	3,000
Receipts:			
(i) Cash Sales [10%]	1,600	1,700	1,800
(ii) Collection from Debtors:			
(a) After 1 Month [45%]	6,750	7,200	7,650
(b) After 2 Months [45%]	6,300	6,750	7,200
(iii) Advance for Sale of Vehicle	—	—	9,000
(iv) Dividend from Investments	—	—	1,000
Total Receipts including Opening Balance	(A) 20,650	19,600	29,650
Payments:			
(i) Creditors for Materials [After 2 months]	9,600	9,000	9,200
(ii) Wages:			
(a) Same Month [3/4]	2,400	2,700	3,000
(b) Next Month [1/4]	750	800	900
(iii) Overheads:			
(a) Same Month [1/2]	1,000	1,100	1,150
(b) Next Month [1/2]	950	1,000	1,100
(iv) Instalments for Plant and Machinery	2,000	2,000	2,000
(v) Advance Income Tax	—	—	2,000
Total Payments	(B) 16,700	16,600	19,350
Closing Balance	(A - B) 3,950	3,000	10,300