
Profit Planning and Cash Planning

Sales Budget

Detailed schedule showing expected sales for the coming periods expressed in units and currency.

Example

Royal Company is preparing budgets for the quarter ending June 30. Budgeted sales for the next five months are: - April - 20,000 units - May - 50,000 units - June - 30,000 units - July - 25,000 units - August - 15,000 units The selling price is \$10 per unit. The sales budget for the quarter ending June 30 would be:

	April	May	June	Quarter
Budgeted Sales (units)	20,000	50,000	30,000	100,000
Selling price per unit	\$10	\$10	\$10	
Total Sales	200,000	500,000	300,000	1,000,000

Expected Cash Collections

Assuming that 60% of sales are collected in the month of sale, 30% in the month following sale, and 10% in the second month following sale, the expected cash collections for the quarter ending June 30 would be: || April | May | June | Quarter || ----- | ----- | ----- | ----- | | Sales | 200,000 | 500,000 | 300,000 | 1,000,000 | | Collected in month of sale (60%) | 120,000 | 300,000 | 180,000 | 600,000 | | Collected in month following sale (30%) | | 60,000 | 150,000 | 90,000 | | Collected in second month following sale (10%) | | 20,000 | 50,000 | 30,000 | | Total Cash Collections | 120,000 | 360,000 | 350,000 | 830,000 |

Production Budget

Production must be adequate to meet budgeted sales and provide for sufficient ending inventory.

Materials, Labour and Overhead Budgets

Inventory Budget

Cash Budget

Budgeted Income Statement

Budgeted Statement of Financial Position