**Topic 9**

Learning objective: understand some key steps in the budgeting process.

1) Red Book printing is budgeting sales of 25,000 units and already has 5,000 in beginning inventory. How many units must be produced to also meet the 7,000 units required in the ending inventory?

2) Simple Remotes SA. makes universal remote controls and expects to sell 500 units in January, 800 in February, 450 in March, 550 in April, and 600 in May. The required ending inventory is 20% of the next month’s sales. Prepare a production budget for the first four months of the year.

3) Sunrise Poles manufactures hiking poles and is planning on producing 4,000 units in March and 3,700 in April. Each pole requires a half pound of material, which costs $1.20 per pound. The company’s policy is to have enough material on hand to equal 10% of the next month’s production needs and to maintain a finished goods inventory equal to 25% of the next month’s production needs. What is the budgeted cost of purchases for March?

4) Cash collections for “Barcelona Candles” found that 60% of sales were collected in the month of the sale, 30% was collected the month after the sale, and 10% was collected the second month after the sale. Given the sales shown, how much cash will be collected in January and February?

|  |  |  |  |
| --- | --- | --- | --- |
| November | December | January | February |
| $25.000 | $35.000 | $20.000 | $25.000 |

5) Rehydrator makes a nutrition additive and expects to sell 3,000 units in January, 2,000 in February, 2,500 in March, 2,700 in April, and 2,900 in May. The required ending inventory is 20% of the next month’s sales, and the beginning inventory on January 1 was 600 units. Prepare a production budget for the first four months of the year.