

Example Cash Budget:

The following data are from the budget of OMG Company. Half the company’s sales are transacted on a cash basis. The other half are paid for with a 1-month delay. The company pays all of its credit purchases with a 1-month delay. Credit purchases in January were \$30 and total sales in January were \$180.

	February	March	April
Total sales	200	220	180
Cash purchases	70	80	60
Credit purchases	40	30	40
Labor and administrative expenses	30	30	30
Taxes, interest, and dividends	10	10	10
Capital expenditures	100	0	0

Complete the following cash budget:

	February	March	April
Sources of cash			
Collections on current sales			
Collections on accounts receivable			
Total sources of cash			
Uses of cash			
Payments of accounts payable			
Cash purchases			
Labor and administrative expenses			
Capital expenditures			
Taxes, interest, and dividends			
Total uses of cash			
Net cash inflow			
Cash at start of period	100		
+ Net cash inflow			
= Cash at end of period			
- Minimum operating cash balance	100	100	100
= Cumulative short-term financing required			