

Exercise 8-10 (30 minutes)

1.

Graber Corporation
Sales Budget

	<i>1st</i> <i>Quarter</i>	<i>2nd</i> <i>Quarter</i>	<i>3rd</i> <i>Quarter</i>	<i>4th</i> <i>Quarter</i>	<i>Year</i>
Budgeted unit sales.....	16,000	15,000	14,000	15,000	60,000
Selling price per unit	<u>× \$22.00</u>	<u>× \$22.00</u>	<u>× \$22.00</u>	<u>× \$22.00</u>	<u>× \$22.00</u>
Total sales.....	<u>\$352,000</u>	<u>\$330,000</u>	<u>\$308,000</u>	<u>\$330,000</u>	<u>\$1,320,000</u>

Schedule of Expected Cash Collections

Accounts receivable, beginning balance	\$ 66,000			\$ 66,000
1 st Quarter sales	264,000	\$ 70,400		334,400
2 nd Quarter sales.....		247,500	\$ 66,000	313,500
3 rd Quarter sales			231,000	\$ 61,600
4 th Quarter sales				<u>247,500</u>
Total cash collections	<u>\$330,000</u>	<u>\$317,900</u>	<u>\$297,000</u>	<u>\$309,100</u>
				<u>\$1,254,000</u>

Exercise 8-10 (continued)

2.

Graber Corporation
Production Budget

	<i>1st</i> <i>Quarter</i>	<i>2nd</i> <i>Quarter</i>	<i>3rd</i> <i>Quarter</i>	<i>4th</i> <i>Quarter</i>	<i>Year</i>
Budgeted unit sales.....	16,000	15,000	14,000	15,000	60,000
Add desired ending inventory.	<u>3,000</u>	<u>2,800</u>	<u>3,000</u>	<u>3,400</u>	<u>3,400</u>
Total units needed	19,000	17,800	17,000	18,400	63,400
Less beginning inventory	<u>3,200</u>	<u>3,000</u>	<u>2,800</u>	<u>3,000</u>	<u>3,200</u>
Required production.....	<u>15,800</u>	<u>14,800</u>	<u>14,200</u>	<u>15,400</u>	<u>60,200</u>

Exercise 8-11 (30 minutes)

1.

Priston Company
Direct Materials Budget

	<i>1st</i> <i>Quarter</i>	<i>2nd</i> <i>Quarter</i>	<i>3rd</i> <i>Quarter</i>	<i>4th</i> <i>Quarter</i>	<i>Year</i>
Required production.....	6,000	7,000	8,000	5,000	26,000
Raw materials per unit	<u>× 3</u>	<u>× 3</u>	<u>× 3</u>	<u>× 3</u>	<u>× 3</u>
Production needs	18,000	21,000	24,000	15,000	78,000
Add desired ending inventory.....	<u>4,200</u>	<u>4,800</u>	<u>3,000</u>	<u>3,700</u>	<u>3,700</u>
Total needs	22,200	25,800	27,000	18,700	81,700
Less beginning inventory	<u>3,600</u>	<u>4,200</u>	<u>4,800</u>	<u>3,000</u>	<u>3,600</u>
Raw materials to be purchased	<u>18,600</u>	<u>21,600</u>	<u>22,200</u>	<u>15,700</u>	<u>78,100</u>
Cost of raw materials to be purchased at \$2.50 per pound.....	<u>\$46,500</u>	<u>\$54,000</u>	<u>\$55,500</u>	<u>\$39,250</u>	<u>\$195,250</u>

Schedule of Expected Cash Disbursements for Materials

Accounts payable, beginning balance.....	\$11,775				\$ 11,775
1st Quarter purchases	32,550	\$13,950			46,500
2nd Quarter purchases		37,800	\$16,200		54,000
3rd Quarter purchases.....			38,850	\$16,650	55,500
4th Quarter purchases.....				<u>27,475</u>	<u>27,475</u>
Total cash disbursements for materials ..	<u>\$44,325</u>	<u>\$51,750</u>	<u>\$55,050</u>	<u>\$44,125</u>	<u>\$195,250</u>

Exercise 8-11 (continued)

2.

Priston Company
Direct Labor Budget

	<i>1st</i> <i>Quarter</i>	<i>2nd</i> <i>Quarter</i>	<i>3rd</i> <i>Quarter</i>	<i>4th</i> <i>Quarter</i>	<i>Year</i>
Units to be produced	6,000	7,000	8,000	5,000	26,000
Direct labor time per unit (hours)	<u>× 0.50</u>	<u>× 0.50</u>	<u>× 0.50</u>	<u>× 0.50</u>	<u>× 0.50</u>
Total direct labor-hours needed	3,000	3,500	4,000	2,500	13,000
Direct labor cost per hour	<u>× \$12.00</u>	<u>× \$12.00</u>	<u>× \$12.00</u>	<u>× \$12.00</u>	<u>× \$12.00</u>
Total direct labor cost.....	<u>\$ 36,000</u>	<u>\$ 42,000</u>	<u>\$ 48,000</u>	<u>\$ 30,000</u>	<u>\$156,000</u>