Problem 8-17 (60 minutes)

1. Collections on sales:

	July	August	Sept.	Quarter
Cash sales	$ 8,000	$14,000	$10,000	$ 32,000
Credit sales:				
May: $30,000 × 80% × 20%	4,800			4,800
June: $36,000 × 80% × 70%, 20%	20,160	5,760		25,920
July: $40,000 × 80% × 10%, 70%, 20%	3,200	22,400	6,400	32,000
Aug.: $70,000 × 80% × 10%, 70%		5,600	39,200	44,800
Sept.: $50,000 × 80% × 10%			4,000	4,000
Total cash collections	$36,160	$47,760	$59,600	$143,520

2. a. Merchandise purchases budget:

	July	August	Sept.	Oct.
Budgeted cost of goods sold	$24,000	$42,000	$30,000	$27,000
Add desired ending inventory*	31,500	22,500	20,250	
Total needs	55,500	64,500	50,250	
Less beginning inventory	18,000	31,500	22,500	
Required inventory purchases	$37,500	$33,000	$27,750	

*75% of the next month's budgeted cost of goods sold.

b. Schedule of expected cash disbursements for merchandise purchases:

	July	August	Sept.	Quarter
Accounts payable, June 30	$11,700			$11,700
July purchases	18,750	$18,750		37,500
August purchases		16,500	$16,500	33,000
September purchases			13,875	13,875
Total cash disbursements	$30,450	$35,250	$30,375	$96,075

Problem 8-17 (continued)

3.

Janus Products, Inc.
Cash Budget
For the Quarter Ended September 30

	July	*August*	*Sept.*	*Quarter*
Cash balance, beginning........	$ 8,000	$ 8,410	$ 8,020	$ 8,000
Add collections from sales	36,160	47,760	59,600	143,520
Total cash available.............	44,160	56,170	67,620	151,520
Less disbursements:				
For inventory purchases......	30,450	35,250	30,375	96,075
For selling expenses	7,200	11,700	8,500	27,400
For administrative expenses	3,600	5,200	4,100	12,900
For land.............................	4,500	0	0	4,500
For dividends	0	0	1,000	1,000
Total disbursements	45,750	52,150	43,975	141,875
Excess (deficiency) of cash available over disbursements....................	(1,590)	4,020	23,645	9,645
Financing:				
Borrowings	10,000	4,000		14,000
Repayment	0	0	(14,000)	(14,000)
Interest	0	0	(380)	(380)
Total financing	10,000	4,000	(14,380)	(380)
Cash balance, ending	$ 8,410	$ 8,020	$ 9,265	$ 9,265