

5. Give an example of budgetary slack.
6. What behavioral problems are associated with setting a budget too loosely?
7. What behavioral problems are associated with establishing conflicting goals within the budget?
8. When would a company use zero-based budgeting?
9. Under what circumstances would a static budget be appropriate?
10. How do computerized budgeting systems aid firms in the budgeting process?
11. What is the first step in preparing a master budget?
12. Why should the production requirements set forth in the production budget be carefully coordinated with the sales budget?
13. Why should the timing of direct materials purchases be closely coordinated with the production budget?
14. In preparing the budget for the cost of goods sold, what are the three budgets from which data on relevant estimates of quantities and costs are combined with data on estimated inventories?
15. a. Discuss the purpose of the cash budget.
b. If the cash for the first quarter of the fiscal year indicates excess cash at the end of each of the first two months, how might the excess cash be used?
16. How does a schedule of collections from sales assist in preparing the cash budget?
17. Give an example of how the capital expenditures budget affects other operating budgets.

Practice Exercises

PE 22-1A

Flexible budgeting

obj. 2

At the beginning of the period, the Assembly Department budgeted direct labor of \$110,500 and property taxes of \$50,000 for 8,500 hours of production. The department actually completed 10,000 hours of production. Determine the budget for the department, assuming that it uses flexible budgeting.

PE 22-1B

Flexible budgeting

obj. 2

At the beginning of the period, the Fabricating Department budgeted direct labor of \$18,400 and equipment depreciation of \$14,000 for 800 hours of production. The department actually completed 700 hours of production. Determine the budget for the department, assuming that it uses flexible budgeting.

PE 22-2A

Production budget

obj. 4

OnTime Publishers Inc. projected sales of 220,000 schedule planners for 2008. The estimated January 1, 2008, inventory is 15,000 units, and the desired December 31, 2008, inventory is 11,000 units. What is the budgeted production (in units) for 2008?

PE 22-2B

Production budget

obj. 4

New England Candle Co. projected sales of 95,000 candles for 2008. The estimated January 1, 2008, inventory is 2,400 units, and the desired December 31, 2008, inventory is 3,000 units. What is the budgeted production (in units) for 2008?

PE 22-3A

Direct materials purchases budget

obj. 4

OnTime Publishers Inc. budgeted production of 216,000 schedule planners in 2008. Paper is required to produce a planner. Assume 90 square feet of paper are required for each planner. The estimated January 1, 2008, paper inventory is 100,000 square feet. The desired December 31, 2008, paper inventory is 160,000 square feet. If paper costs \$0.08 per square foot, determine the direct materials purchases budget for 2008.

PE 22-3B

Direct materials purchases budget

obj. 4

New England Candle, Co. budgeted production of 95,600 candles in 2008. Wax is required to produce a candle. Assume 8 ounces (one half of a pound) of wax is required for each candle. The estimated January 1, 2008, wax inventory is 1,400 pounds. The desired December 31, 2008, wax inventory is 1,100 pounds. If candle wax costs \$3.60 per pound, determine the direct materials purchases budget for 2008.