Chap 4 # 24 and 25

 **complete cash budget**

Archer electronics company’s actual sales and purchases for April and may are show here along with forecasted sales and purchases for june through September.

 Sales Purchases

April(actual) 320,000 130,000

May (actual) 300,000 120,000

June(forecast) 275,000 120,000

July(forecast) 275,000 180,000

August(forecast) 290,000 200,000

September(forecast) 330,000 170,0000

The company makes 10% of its sales for cash and 90% on credit. Of the credit sales, 20% are collected in the month after the sale and 80% are collected two months later. Acher pays for 40% of its purchases in the month after purchases and 60% two months after.

Labor expense equals 10% of the current amount sale. Overhead expense equals $12,000 /month. Interset payment of $30,000 are due in june and September. A cash dividend of $ 50,000 is scheduled to be paid in june. Tax payment of $ 25,000 are due in june and September. There is a schedule capital outlay of $300,000 in September.

Archer electronic’s ending cash balance in may $20,000. The minimum desired cash balance is $ 10,000. Prepare a schedule of monthly cash receipts, monthly cash payment, and a complete monthly cahs budget with borrowing and repayment for the june through September. The maximum desired cash balance is $50,000. Excess cash ( above $50,000) is used to buy marketable securities. Marketable securities are sold before borrowing funds is case of a cash shortfall(less than $ 10,000)

#25. Owens’s Electronics has 9 operating plants in seven southwestern states. Sales for the last year were $100 million , and the balance sheet at year-end is similar in percentage of sales to that previous years( and this will continue in the future). All assets ( including fixed assets) and current liabilities will vary directly with sales. The firm is working at full capacity

**Balance Sheet (in $ million)**

Assests Liabilities and stockholders’ equitiy

Cash $ 2 account payable $ 15

Account receivable $ 20 Accured wages $2

Inventory 23 Accured tax $8

Current Asset s $45 current liabilities $25

Fixed assets $40 Notes payable $10

 Common stock $15

 Retained earning $35

 Total liabilities and

 Stockholder equity $ 85

Total assets $85

Owen’s has an after tax profit margin of 7% and a dividend payout ratio of 40%.

If sales grow by 10% next year, determine how many dollars of new funds are needed to finance the growth.