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| Details: | To avoid any uncertainty regarding his business’ financing needs at the time when such needs may arise, Cyrus Brown wants to develop a Cash Budget for his latest venture- Cyrus Brown Manufacturing (CBM). He has estimated the following sales forecast for CBM over the next nine months: March 2004 $250,000April 275,000May 320,000June 450,000July 575,000August 700,000September 825,000October 350,000November 285,000He has also gathered the following collection estimates regarding the forecast sales: Collection within the month of sale, 10%; collection the month following sales, 65%, and collection the second month following sales, 25%. Payments for direct manufacturing costs like raw materials and labor are made during the month that follows the one in which such costs have been incurred. These costs are estimated as follows:March 2004 $187,500April 206,250May 240,000June 337,500July 431,250August 525,000September 618,750October 262,500Administrative salaries will approximately amount to $35,000 a month; lease payments around $15,000 a month; depreciation charges, 15,000 a month; a one-time new plant investment in the amount of $95,000 is expected to be incurred and paid in June; income tax payments estimated to be around $ 55,000 will be due in both June and September; and finally, miscellaneous costs are estimated to be around $10,000 a month. Cash on hand on March 1 will be around $50,000; and a minimum cash balance of $50,000 shall be on hand at all times.a. Prepare a monthly cash budget for Cyrus Brown Manufacturing for the nine month period, March through November.b. Based on your findings in part b, will the company need any outside financing? c. What is the minimum line of credit that CBM will need?d. What do you think of CBM’s cash position during the budget period? Do you see any concerns for the company in this regard?e. If you were a bank manager would you want CBM as your client? Why or why not? |