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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 $250,000  April 275,000  May 320,000  June 450,000  July 575,000  August 700,000  September 825,000  October 350,000  November 285,000  He 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 $187,500  April 206,250  May 240,000  June 337,500  July 431,250  August 525,000  September 618,750  October 262,500  Administrative 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? |