|  |
| --- |
| Tonga Toys manufactures and distributes a number of products to retailers. One of these products, Playclay, requires five pounds of material A135 in the manufacture of each unit. The company is now planning raw materials needs for the third quarter—July, August, and September. Peak sales of Playclay occur in the third quarter of each year. To keep production and shipments moving smoothly, the company has the following inventory requirements: |

|  |  |
| --- | --- |
| a. | The finished goods inventory on hand at the end of each month must be equal to 8,000 units plus 32% of the next month’s sales. The finished goods inventory on June 30 is budgeted to be 19,200 units. |
| b. | The raw materials inventory on hand at the end of each month must be equal to one-half of the following month’s production needs for raw materials. The raw materials inventory on June 30 for material A135 is budgeted to be 95,500 pounds. |
| c. | The company maintains no work in process inventories. |

|  |
| --- |
| A sales budget for Playclay for the last six months of the year follows. |

|  |  |
| --- | --- |
|  | Budgeted Sales in Units |
| July | 35,000 |
| August | 45,000 |
| September | 65,000 |
| October | 30,000 |
| November | 15,000 |
| December | 5,000 |
|  | |

|  |  |
| --- | --- |
| **Required:** | |
| **1.** | Prepare a production budget for Playclay for the months July, August, September, and October. **(Input all amounts as positive values. Do not round intermediate calculations.)** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Playclay Production Budget | | | | |
|  | July | August | September | October |
| Budgeted sales |  |  |  |  |
| : |  |  |  |  |
|  |  |  |  |  |
| Total needs |  |  |  |  |
| : |  |  |  |  |
|  |  |  |  |  |
| Required production |  |  |  |  |
|  |  |  |  |  |
|  | | | | |

|  |  |
| --- | --- |
| **3.** | Prepare a direct materials budget showing the quantity of material A135 to be purchased for July, August, and September and for the quarter in total. **(Input all amounts as positive values. Do not round intermediate calculations.)** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Playclay Direct Materials Budget | | | | |
|  | July | August | September | Third   Quarter |
| Production needs |  |  |  |  |
| : |  |  |  |  |
|  |  |  |  |  |
| Total Material A135 needs |  |  |  |  |
| : |  |  |  |  |
|  |  |  |  |  |
| Material A135 purchases |  |  |  |  |
|  |  |  |  |  |
|  | | | | |