|  |
| --- |
| **E20-5** |
| http://edugen.wiley.com/edugen/art2/common/pixel.gif |

Moreno Industries has adopted the following production budget for the first 4 months of 2011.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Month** | | **Units** | | **Month** | | **Units** | |
|  |  | January | 10,000 |  |  | March | 5,000 |  |
|  |  | February | 8,000 |  |  | April | 4,000 |  |

Each unit requires 3 pounds of raw materials costing $2 per pound. On December 31, 2010, the ending raw materials inventory was 9,000 pounds. Management wants to have a raw materials inventory at the end of the month equal to 30% of next month's production requirements.

Complete the direct materials purchases budget by month for the first quarter.

|  |  |  |  |
| --- | --- | --- | --- |
| **MORENO INDUSTRIES** | | | |
| **Direct Materials Purchases Budget** | | | |
| **For the Quarter Ending March 31, 2011** | | | |
|  | **January** | **February** | **March** |
|  |  |  |  |
|  | × | × | × |
| Total pounds needed for production |  |  |  |
| Add: |  |  |  |
| Total materials required |  |  |  |
| Less: |  |  |  |
| Direct materials purchases |  |  |  |
|  | × $ | × $ | × $ |
| Total cost of direct materials purchases | $ | $ | $ |

**PLEASE SHOW ALL WORKING. THANK YOU**