|  |
| --- |
| **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**