**Project 1 - Budget Project**

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* **Project Details**

**Project Overview**

The budget director of Dollie Inc., with the help of the finance department, has compiled the following information for use in creating the budgeted income statement for January 20xx:

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| **a. Estimated sales for January**Luxury dollhouse: 2,000 units at $200 per unitStandard dollhouse: 3,500 units at $150 per unit |
| **b. Estimated inventories at January 1**  |
| **Direct materials** | **Finished products** |
| Plastic: 400 pounds | Luxury dollhouse: 200 units at $98 per unit |
| Wood: 1,000 pounds | Standard dollhouse: 300 units at $70 per unit |
| **c. Desired inventories at January 31**  |
| **Direct materials** | **Finished products** |
| Plastic: 740 pounds | Luxury dollhouse: 170 units at $100 per unit |
| Wood: 980 pounds | Standard dollhouse: 260 units at $73 per unit |

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| **d. Direct materials used in production** **To manufacture Luxury dollhouse:**Plastic: 0.8 pounds per unit of productWood: 2 pounds per unit of product |
| **To manufacture Standard dollhouse:**Plastic: 0.6 pounds per unit of productWood: 1.5 pounds per unit of product |
| **e. Anticipated cost of purchases and beginning and ending inventory of direct materials**Plastic: $5 per poundWood: $7 per pound |
| **f. Direct labor requirements** **Luxury dollhouse**Molding Department: 0.3 hours at $12 per hourAssembly Department: 0.5 hours at $10 per hour |
| **Standard dollhouse**Molding Department: 0.2 hours at $12 per hourAssembly Department: 0.4 hours at $10 per hour |
| **g. Estimated factory overhead costs for January*** + Indirect factory wages: $95,000
	+ Depreciation of plant and equipment: $20,000
	+ Utilities: $14,000
	+ Insurance and property tax: $4,000
 |
| **h. Estimated operating expenses for January** * + Sales salaries expense: $223,600
	+ Advertising expense: $127,000
	+ Office salaries expense: $63,800
	+ Depreciation expense – office equipment: $7,200
	+ Telephone expense – selling: $2,100
	+ Telephone expense – administrative: $550
	+ Travel expense – selling: $40,900
	+ Office supplies expense: $3,500
	+ Miscellaneous administrative expense: $4,600

**i. Estimated tax rate: 30%** |

Refer to the Course Schedule within the Syllabus for specific project deliverables and due dates.

**Deliverables**

You have two deliverables for this assignment: Documents and Analysis.

**Documents:** Using Excel, prepare a separate tab for each of the following deliverables:

* + Prepare a sales budget for January.
	+ Prepare a production budget for January.
	+ Prepare a direct material budget for January.
	+ Prepare a direct labor budget for January.
	+ Prepare a factory overhead budget for January.
	+ Prepare a cost of goods sold (COGS) budget for January. WIP at the beginning of January is estimated to be $25,300 and WIP at the end of January is desired to be $26,800.
	+ Prepare a selling and administrative expenses budget for January.
	+ Prepare a budgeted income statement for January.

**Analysis:** Provide a substantive analysis of Dollie’s January budgeted income statement.

* + What do the results indicate?
	+ Is this budgeted amount a feasible goal?
	+ In what areas could Dollie Inc. cut back on costs?
	+ How will management use this budget?
	+ Endorse the effective use of budgeting techniques in relation to solvent business practices.