**Project 1 - Budget Project**

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* **http://mypath.westwood.edu/images/ci/icons/generic_updown.gifProject 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 unit Standard 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 product Wood: 2 pounds per unit of product |
| **To manufacture Standard dollhouse:** Plastic: 0.6 pounds per unit of product Wood: 1.5 pounds per unit of product |
| **e. Anticipated cost of purchases and beginning and ending inventory of direct materials** Plastic: $5 per pound Wood: $7 per pound |
| **f. Direct labor requirements**  **Luxury dollhouse** Molding Department: 0.3 hours at $12 per hour Assembly Department: 0.5 hours at $10 per hour |
| **Standard dollhouse** Molding Department: 0.2 hours at $12 per hour Assembly 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.