**BUSN 5200**

**Homework Assignment for Week 5:**

For Week 5, please turn in the answers to the following questions:

Question 1. Prepare a budget for this year for the Administrative Department at Tom’s Toyota Company based on the following information:

Last Year Forecasting Assumption Budget for this Year

Salaries $85,000 2% increase \_\_\_\_\_\_\_\_\_\_\_

Stationary $ 900 1% decrease \_\_\_\_\_\_\_\_\_\_\_

Telephone $ 2,000 3% increase \_\_\_\_\_\_\_\_\_\_\_

Electricity $ 4,000 2.5% increase \_\_\_\_\_\_\_\_\_\_\_

Office Rent $12,000 2% increase \_\_\_\_\_\_\_\_\_\_\_

Depreciation $ 5,000 no change \_\_\_\_\_\_\_\_\_\_\_\_

Total: $96,900

Question 2. Webster Company has budgeted sales commissions of $200,000 for 2019, based on sales estimates of $3,000,000 for the same year. After the first quarter however, they realize that sales are exceeding expectations. Sales are now expected to reach $4,000,000 for 2019. By how much will Webster Company adjust their budget beginning in the 2nd quarter for sales commissions? Webster company uses a static budgeting process.

Question 3. In 2018 Steve Company used static budgeting. They switched in 2019 to a different budgeting process and they were able to identify unnecessary spend in their advertising budget. Even though there was no variance identified in the advertising budget when they used the static budgeting process. What type of budgeting process did Steve Company switch to?

Question 4. Define “Period Budgets”

Question 5. Define “Rolling Budgets

Question 6. What are the 5 steps to zero budgeting according to Dave Ramsey?

Question 7. Webster’s Discount Appliances expects sales of $10,000, $15,000, and $25,000 during April, May, and June (big sale in June). To build business, Webster let’s all customers buy on credit, and all do so. In the past, 20% of Webster’s Discount Appliances sales have been collected during the month of sale, 65% are collected the following month, and 15% the month after that. If this trend continues, what will be Webster’s total cash collections in the month of June?

Question 8. For the week, Steve’s Manufacturing has a beginning cash balance of 25,000. They spend 87,000 on direct materials, 19,000 on direct labor, and 29,000 on manufacturing overhead. They also have cash sales of 10,000, accounts receivable collections of 180,000 and asset sales of 30,000. They also purchased assets in the amount of 20,000 and had sales commissions and other administrative expenses in the amount of 35,000. What was Steve’s Manufacturing cash balance at the end of the week?

Question 9. Ma & Pa Kettle’s Chili Company has begun selling a new chili recipe and they want you to help them with next year’s budgeted financial statements. Using the worksheet below, complete Ma & Pa’s forecast and answer the questions which follow.

Assumptions:

To begin with, Ma & Pa are sure sales will grow 50% next year. Assume that is true. Then assume that COGS, Current Assets, and Current Liabilities all vary directly with Sales (that means if sales grows a certain percentage, then the account in question will grow by that same percentage). Assume that fixed expenses will remain unchanged and that $1,000 worth of new Fixed Assets will be obtained next year. Lastly, the current dividend policy will be continued next year.

Ma & Pa Kettle Chili Company, Inc.

Financial Forecast

Estimated

This year for next year

Sales $25,000 \_\_\_\_\_\_\_\_

COGS 5,000 \_\_\_\_\_\_\_\_

Gross Profit 20,000 \_\_\_\_\_\_\_\_

Fixed Expenses 3,000 \_\_\_\_\_\_\_\_

Before‑Tax Profit 17,000 \_\_\_\_\_\_\_\_

Tax @ 33.3333% 5,666 \_\_\_\_\_\_\_\_

Net Profit 11,334 \_\_\_\_\_\_\_\_

Dividends $0 \_\_\_\_\_\_\_\_

Current Assets $30,000 \_\_\_\_\_\_\_\_

Net Fixed Assets 20,000 \_\_\_\_\_\_\_\_

Total Assets $50,000 \_\_\_\_\_\_\_\_

Current Liabilities $18,000 \_\_\_\_\_\_\_\_

Long‑term debt 3,000 \_\_\_\_\_\_\_\_

Common Stock 9,000 \_\_\_\_\_\_\_\_

Retained Earnings 13,000 \_\_\_\_\_\_\_\_

Total Liabs & Eq $50,000 \_\_\_\_\_\_\_\_

Amount need to balance the balance sheet \_\_\_\_\_\_\_\_

(Projected total assets minus projected

total liabilities & equity \*)

\* If this number is positive it means Ma & Pa need additional external funding to finance their projected asset growth. If this number is negative it means Ma & Pa have programmed too much financing for the amount of assets they project.