

Leaving Certificate Accounting Higher Level

**Cash Budgeting
2023 Question 9**

Simplify the Calculations

Cash Sales

Sales x 38% (40% x 95%)

Credit Sales (1 month)

Sales x 36% (60% x 60%)

Credit Sales (2 months)

Sales x 24% (60% x 40%)

Cash Budget for six Months ending 30/06/2024

	Jan	Feb	Mar	Apr	May	Jun	Total
Receipts							
Cash Sales	177,840	206,910	215,460	222,300	225,720	251,180	1,299,410
Debtors - 1 Month		168,480	196,020	204,120	210,600	213,840	993,060
Debtors - 2 Months			112,320	130,680	136,080	140,400	519,480
Total Receipts	177,840	375,390	523,800	557,100	572,400	605,420	2,811,950
Payments							

Simplify Calculation
1st Month: Purchases x 50% x 98% = 49%
2nd Month: Purchases x 50%

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Total Receipts	177,840	375,390	523,800	557,100	572,400	605,420	2,811,950
Payments							
Creditors - 1 month		213,640	156,800	159,250	161,700	164,150	855,540
Creditors - 2 months			218,000	160,000	162,500	165,000	705,500

Calculation (2nd Month):	Monthly purchases x 50%
Jan Purchases:	436,000 x 50% = 218,000 (Mar)
Feb Purchases:	320,000 x 50% = 160,000 (Apr)
Mar Purchases:	325,000 x 50% = 162,500 (May)
Apr Purchases:	330,000 x 50% = 165,000 (Jun)

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Creditors - 1 month		213,640	156,800	159,250	161,700	164,150	855,540
Creditors - 2 months			218,000	160,000	162,500	165,000	705,500
Wages	84,500	84,500	84,500	84,500	84,500	84,500	507,000
Variable Overheads	37,440	43,560	45,360	46,800	47,520	52,880	273,560

Simplify the Calculation

$$\text{Sales} / 50 \times 4 = \text{Sales} / 12.5$$

Calculation: Monthly sales / 12.5

Jan: $468,000 / 12.5 = 37,440$

Feb: $544,500 / 12.5 = 43,560$

Mar: $567,000 / 12.5 = 45,360$

Apr: $585,000 / 12.5 = 46,800$

May: $594,000 / 12.5 = 47,520$

Jun: $661,000 / 12.5 = 52,880$

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Creditors - 2 months			218,000	160,000	162,500	165,000	705,500
Wages	84,500	84,500	84,500	84,500	84,500	84,500	507,000
Variable Overheads	37,440	43,560	45,360	46,800	47,520	52,880	273,560
Fixed Overheads	81,430	81,430	81,430	81,430	81,430	81,430	488,580

Calculation:

Annual depreciation = (€36,000 x 95%) / 5 = €6,840

Monthly depreciation = €6,840 / 12 = €570

Monthly Fixed Overheads: €82,000 - €570 = €81,430

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Wages	84,500	84,500	84,500	84,500	84,500	84,500	507,000
Variable Overheads	37,440	43,560	45,360	46,800	47,520	52,880	273,560
Fixed Overheads	81,430	81,430	81,430	81,430	81,430	81,430	488,580
Equipment	36,000						36,000
Loan Repayment		750	750	750	750	750	3,750

Calculation:

Loan / No. of Months

€24,000 / 32 = €750 per month

Cash Budget for six Months ending 30/06/2024

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Fixed Overheads	81,430	81,430	81,430	81,430	81,430	81,430	488,580
Equipment	36,000						36,000
Loan Repayment		750	750	750	750	750	3,750
Loan Interest	160	155	150	145	140	135	885

Calculation:

Monthly interest = Loan outstanding x 8% / 12

Jan: €24,000 x 8% / 12 = €160

Apr: €21,750 x 8% / 12 = €145

Feb: €23,250 x 8% / 12 = €155

May: €21,000 x 8% / 12 = €140

Mar: €22,500 x 8% / 12 = €150

June: €20,250 x 8% / 12 = €135

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Fixed Overheads	81,430	81,430	81,430	81,430	81,430	81,430	488,580
Equipment	36,000						36,000
Loan Repayment		750	750	750	750	750	3,750
Loan Interest	160	155	150	145	140	135	885
Total Payments	239,530	424,035	586,990	532,875	538,540	548,845	2,870,815
Net Cash	-61,690	-48,645	-63,190	24,225	33,860	56,575	-58,865

Net Cash:

Example (Jan):

Total Receipts – Total Payments

€177,840 – €239,530 = - €61,690

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Fixed Overheads	81,430	81,430	81,430	81,430	81,430	81,430	488,580
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Loan Interest	160	155	150	145	140	135	885
Total Payments	239,530	424,035	586,990	532,875	538,540	548,845	2,870,815
Net Cash	-61,690	-48,645	-63,190	24,225	33,860	56,575	-58,865
Bank Loan	24,000						24,000
Opening Cash	80,000	42,310					
Closing Cash	42,310						

Remember: Opening cash for each month is the closing cash from the previous month

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Equipment	36,000						36,000
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Loan Interest	160	155	150	145	140	135	885
Total Payments	239,530	424,035	586,990	532,875	538,540	548,845	2,870,815
Net Cash	-61,690	-48,645	-63,190	24,225	33,860	56,575	-58,865
Bank Loan	24,000						24,000
Opening Cash	80,000	42,310	-6,335				
Closing Cash	42,310	-6,335					

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Opening Cash	80,000	42,310	-6,335	-69,525	-45,300	-11,440	
Closing Cash	42,310	-6,335	-69,525	-45,300	-11,440	45,135	

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Net Cash	-61,690	-48,645	-63,190	24,225	33,860	56,575	-58,865
Bank Loan	24,000						24,000
Opening Cash	80,000	42,310	-6,335	-69,525	-45,300	-11,440	80,000
Closing Cash	42,310	-6,335	-69,525	-45,300	-11,440	45,135	45,135

For the total column we use the opening cash from the first month

Budgeted Profit & Loss Account for 6ME 30/06/2024

Sales		3,419,500
Less Cost of Sales		
Opening Stock	0	
Purchases	2,091,000	
	2,091,000	
Less Closing Stock	0	2,091,000
Gross Profit		1,328,500
Less Expenses		
Wages	507,000	
Variable Overhead	273,560	
Fixed Overhead	488,580	
Loan Interest	885	

From cash budget

Budgeted Profit & Loss Account for 6ME 30/06/2024

Sales		3,419,500
Less Cost of Sales		
Opening Stock	0	
Purchases	2,091,000	
	2,091,000	
Less Closing Stock	0	2,091,000
Gross Profit		1,328,500
Less Expenses		
Wages	507,000	
Variable Overhead	273,560	
Fixed Overhead	488,580	
Loan Interest	885	
Depreciation	3,420	

Depreciation: €570 x 6 months = €3,420

Budgeted Profit & Loss Account for 6ME 30/06/2024

Sales		3,419,500
Less Cost of Sales		
Opening Stock	0	
Purchases	2,091,000	
	2,091,000	
Less Closing Stock	0	2,091,000
Gross Profit		1,328,500
Less Expenses		
Wages	507,000	
Variable Overhead	273,560	
Fixed Overhead	488,580	
Loan Interest	885	
Depreciation	3,420	
Discount Allowed (€3,419,500 x 40% x 5%)	68,390	1,341,835
		-13,335

Budgeted Profit & Loss Account for 6ME 30/06/2024

Sales		3,419,500
Less Cost of Sales		
Opening Stock	0	
Purchases	2,091,000	
	2,091,000	
Less Closing Stock	0	2,091,000
Gross Profit		1,328,500
Less Expenses		
Wages	507,000	
Variable Overhead	273,560	
Fixed Overhead	488,580	
Loan Interest	885	
Depreciation	3,420	
Discount Allowed (€3,419,500 x 40% x 5%)	68,390	1,341,835
		-13,335
Add Discount Received (€2,091,000 - €345,000) x 50% x 2%		17,460

Discount Received:

Total Purchases (less any purchases not paid for in this period) x 50% x 2%

(2,091,000 – 345,000) x 50% x 2% = €17,460

Budgeted Profit & Loss Account for 6ME 30/06/2024

Sales		3,419,500
Less Cost of Sales		
Opening Stock	0	
Purchases	2,091,000	
	2,091,000	
Less Closing Stock	0	2,091,000
Gross Profit		1,328,500
Less Expenses		
Wages	507,000	
Variable Overhead	273,560	
Fixed Overhead	488,580	
Loan Interest	885	
Depreciation	3,420	
Discount Allowed (€3,419,500 x 40% x 5%)	68,390	1,341,835
		-13,335
Add Discount Received (€2,091,000 - €345,000) x 50% x 2%		17,460
Net Profit		4,125