



# **JAGATPUR P.G COLLEGE**

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**NAME OF PAPER: ACCOUNTING FOR PLANNING &  
CONTROL**

**TOPIC: CASH BUDGET NUMERICALS**

**UNIT : 1<sup>st</sup>**

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*- Manoj Kumar*

## Numerical:

Z Ltd. Start manufacturing on 1 January,2019 . The Prime cost of a unit is expected to be Rs.20, out of which is Rs.8 for materials and Rs.12 for labour. In additional variable expenditure for unit is expected to be Rs.4 and fixed expenses per month will be Rs.15,000 . Payments for materials is to be made in the month following the purchase. one-third of sales will be for cash and rest on credit for settlement in the following months. Expenses are payable in the month which they are incurred. The selling price is fixed at Rs.40 per unit. The number of units manufacturing and sold is to be as under:

<b>January.</b>	900.	<b>April.</b>	2,100
<b>February.</b>	1,200.	<b>May.</b>	2,100
<b>March.</b>	1,800.	<b>June.</b>	2,400

Draw- up a cash Forecast ignoring the Question of Stock.

## Solution:

### Cash Budget

(for six month ended June 2,019)

Particular.	Month					
	Jan. Rs.	Feb. Rs.	March. Rs.	April. Rs.	May. Rs.	June Rs.
Receipts.	-----	-----	-----	-----	-----	-----
Balance b/d	-----	(17,400).	(18,800).	(16,200).	(3,200).	(4,600)
Cash sales.	12,000	16,000.	24,000.	28,000	28,000	32,000
Receipts from debtors.	-----	24,000.	32,000	48,000	36,000	56,000
Total (A).	12,000.	22,600.	37,200.	59,800.	60,800.	83,400

## Payments:

Wages.	10,800.	14,400	21,600	25,200.	25,200	28,800
Materials.	.....	7,200.	9,600.	14,400.	16,800.	16,800
Fixed expenses.	15,000.	15,000	15,000.	15,000.	15,000.	15,000
Variable expenses.	3,600.	4,800.	7,200.	8,400	8,400	9,600
Total payment (B)	29,400.	41,400.	53,400.	63,000.	65,400.	70,200
Balance of (A-B).	(17,400).	(18,800).	(16,200).	(3,200).	(4,600).	13,200

Remark: - So that the deficiency in the month of Jan.. Feb.. March, April and

May are Rs.17,400, Rs.18,800, Rs.16,200 , Rs.3,200, Rs.4,600 respectively.

## Questions:2

Swadeshi Ltd. had Rs.2,00,000 Share capital and Rs.24,000 reserve. It invested Rs.1,60,000 in fixed assets. Stock and debtors were to Rs.16,000 and Rs.52,000 and trade creditors Rs.8,000. To sustain the increase in activity, stock levels is proposed to be increased by 100% by the end of year. Machinery worth Rs.8,000 is proposed to be acquired during the year as per capital expenditure budget. Estimated profit for the year is Rs.28,000 after charging Rs.16,000 depreciation and 50% of profit for taxation. Advance income tax payment is estimated at Rs.24,000 . Trade creditors are likely to be doubled. A 5% dividend is to be paid and provision for 10% dividend for next year is to be made. Debtors are estimated to be outstanding for 3 months. Sales Budget show Rs.4,00,000 sales.

Make an estimate of cash position as at the end of the budget period.

## Solution:

### SWADESHI LTD Budget Balance Sheet

( as at.....)

#### Liabilities

Share capital.		2,00,000.
Reserve and surplus:		
Balance.	24,000.	
Less: Dividend 5%.	10,000	

Profit for provision for.		
Income tax.	28,000.	
Less: proposed dividend.		
	20,000	22,000

#### Current liabilities:

Trade creditors.	16,000
Provision for taxation.	28,000
Proposed dividend.	20,000
Bank over draft.	22,000
	3,08,000.

#### Assets.

Fixed Assets-	1,60,000	
Additions.	8,000	
Less depreciation	16,000.	1,52,000

#### Current assets:

Stock.	32,000
Debtor.	1,00,000
Advance income tax.	24,000

3,08,000

**Working note:** Debtor=sales/debtors velocity=4,00,000/12/3=Rs.1,00,000

## QUESTION:3

Estimate the cash requirements of Banaras fruits co.ltd for the June,2019 on the basis of data given below:

•Sales:.	Rs.
February 2019.	25,000
March 2019	20,000
April to June.	30,000 per month.

Roughly half the sales are for cash 90% of credit sales are collected in the month following the month of sale and the balance one month late.

•Fruits are always bought for cash to avail the cash discount of 5% . The purchase budget for the second quarter (April to June) was 1,500 baskets per month at Rs. 10 per basket.

•Wages and salaries for second quarter were budgeted at Rs.5,000 per month.

•Manufacturing and other expenses budgeted for the quarter was:

Cash expenses.	4,500
Depreciation.	7,500
Selling experience.	3,000

Administration experience. 2,000. In April and may

## Solution:

### Cash budget (period: three months ending June 2,019)

Particular.	April. Rs.	May. Rs.	June Rs.
<b><u>Receipts:.</u></b>			
Balance b/f.	-----	2,500.	9,250
Cash sales (1/2 of sales).	15,000.	15,000.	15,000
Cash collected from debtor.	10,250.	14,500.	15,000
(A)	25,250.	32,000.	39,250
<b><u>Payments:</u></b>			
Cash purchase (less: cash discount)	14,250.	14,250.	14,250
Wages and salaries.	5,000.	5,000.	5,000
Cash expenses.	1,500.	1,500.	1,500
Selling expenses.	1,000.	1,000	1,000
Administrative expenses.	1,000.	1,000	-----
(B)	22,750.	22,750	21,750
<b><u>Balance c/f(A-B)</u></b>	2,500.	9,250	17,500

### Long Answer type questions:

- What is cash budgeting? Explain its utility for management.
- How does a cash budget help in the management of working capital? Explain.

### Short Answer type questions:

- Explain the word 'time lag'
- Give 4 example of non- operating cash payments.
- Mention 4 non- operating sources of cash receipts.



## ***REFERENCE***

*Dr. Kamna Dhawan*  
*PUBLICATION: Navyug*  
*Publications (Edition 2019)*

***THANK YOU***