

# Budgets – H – Cash Collections

Accounting presentation created by  
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2015-01-01  
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# Budgets – H – Cash Collections

- The Cash Collections Budget is one of the bigger budget presentations by size.
- And fairly easy to put together.

| Miramar Merchandising Services, Inc.  |                                   |             |              |              |              |              |              |               |              |
|---------------------------------------|-----------------------------------|-------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|
| Cash Collections Budget               |                                   |             |              |              |              |              |              |               |              |
| For the Quarter ending March 31, 2015 |                                   |             |              |              |              |              |              |               |              |
| Monthly Sales:                        | Cash collections:                 | November:   | December:    | January:     | February:    | March:       | April:       | Uncollectible | Total        |
|                                       | Cash sales                        | \$22,312.50 | \$22,387.50  | \$22,500.00  | \$23,343.75  | \$22,640.63  | \$22,368.75  |               | \$135,553.13 |
| \$148,750.00                          | November credit sales collections | \$31,609.38 | \$63,218.75  | \$29,080.63  |              |              |              | \$2,528.75    | \$126,437.50 |
| \$149,250.00                          | December credit sales collections |             | \$31,715.63  | \$63,431.25  | \$29,178.38  |              |              | \$2,537.25    | \$126,862.50 |
| \$150,000.00                          | January credit sales collections  |             |              | \$31,875.00  | \$63,750.00  | \$29,325.00  |              | \$2,550.00    | \$127,500.00 |
| \$155,625.00                          | February credit sales collections |             |              |              | \$33,070.31  | \$66,140.63  | \$30,424.69  | \$2,645.63    | \$132,281.25 |
| \$150,937.50                          | March credit sales collections    |             |              |              |              | \$32,074.22  | \$64,148.44  | \$2,565.94    | \$98,788.59  |
| \$149,125.00                          | April credit sales collections    |             |              |              |              |              | \$31,689.06  | \$2,535.13    | \$34,224.19  |
| \$903,687.50                          | Month's totals                    | \$53,921.88 | \$117,321.88 | \$146,886.88 | \$149,342.44 | \$150,180.47 | \$148,630.94 | \$15,362.69   | \$781,647.16 |

# Budgets – H – Cash Collections

- The Cash Collections Budget is based on estimated sales and the timing of collections.
- For that the setup information regarding timing and percentages is very important.

|  |     |
|--|-----|
| Cash collections at the time of sale:                                    | 15% |
| Cash collections of credit sales in the month of the sale:               | 25% |
| Cash collections of credit sales in the month following the sale:        | 50% |
| Cash collections of credit sales in the second month following the sale: | 23% |
| Percentage of credit sales determined to be uncollectible:               | 2%  |

# Budgets – H – Cash Collections

- Cash collections get to be “big” because January has cash collections related to November, December, and January credit sales as well as January cash sales.

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# Budgets – H – Cash Collections

- Repetitive, the key is one step at a time.
- For clarity, and under managerial accounting, I can dictate the format, I have total monthly sales in the Monthly Sales column.

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# Budgets – H – Cash Collections

- From the setup, 15% of the sales are for cash.
- Therefore, take 15% of the Monthly Sales column values and plug them into the Cash Sales line for the month.

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# Budgets – Cash Collections

- From the setup, 25% of the CREDIT sales are collected in the same month as the sale.
- Therefore, take the Monthly Sales less the Cash Sales and multiply it by 25% for the month sales credit collection.

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# Budgets – Cash Collections

- Cash sales estimates work like this.
- January cash sales are ( $\$150,000 \times 15\%$ )  
\$22,500.
- February cash sales are ( $\$155,625 \times 15\%$ )  
\$23,343.75.
- March cash sales are ( $\$150,937.50 \times 15\%$ )  
\$22,640.63.

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# Budgets – Cash Collections

- The January credit sales work off of (\$150,000 total sales - \$22,500 cash sales) \$127,500.
- January collections of January credit sales are (\$127,500 × 25%) \$31,875.
- February collections of January credit sales are (\$127,500 × 50%) \$63,750.

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# Budgets – Cash Collections

- March collections of January credit sales are  $(\$127,500 \times 23\%)$  \$29,325.
- Uncollectible January credit sales are  $(\$127,500 \times 2\%)$  \$2,550.
- The total expected to collect is  $(\$22,500 + \$31,875 + \$63,750 + \$29,325)$  \$147,450.

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# Budgets – H – Cash Collections

- With January total sales of \$150,000 and collections of \$147,450 the missing \$2,550 is the uncollectible accounts.

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# Budgets – H – Cash Collections

- With February total sales of \$155,625, the cash sales are ( $\$155,625 \times 15\%$ ) \$23,343.75.
- Therefore credit sales in February are ( $\$155,625 - \$23,343.75$ ) \$132,281.25.

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# Budgets – H – Cash Collections

- With February credit sales of \$132,281.25.
- February credit sales collections in February are  $(\$132,281.25 \times 25\%)$  \$33,070.31.
- February credit sales collections in March are  $(\$132,281.25 \times 50\%)$  \$66,140.63.

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# Budgets – H – Cash Collections

- February credit sales collections in April are  $(\$132,281.25 \times 23\%)$  \$30,424.69.
- The total collected for February sales is  $(\$23,343.75 + \$33,070.31 + \$66,140.63 + \$30,424.69)$  \$152,979.38.

| Miramar Merchandising Services, Inc.  |                                   |             |              |              |              |              |              |               |              |
|---------------------------------------|-----------------------------------|-------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|
| Cash Collections Budget               |                                   |             |              |              |              |              |              |               |              |
| For the Quarter ending March 31, 2015 |                                   |             |              |              |              |              |              |               |              |
| Monthly Sales:                        | Cash collections:                 | November:   | December:    | January:     | February:    | March:       | April:       | Uncollectible | Total        |
|                                       | Cash sales                        | \$22,312.50 | \$22,387.50  | \$22,500.00  | \$23,343.75  | \$22,640.63  | \$22,368.75  |               | \$135,553.13 |
| \$148,750.00                          | November credit sales collections | \$31,609.38 | \$63,218.75  | \$29,080.63  |              |              |              | \$2,528.75    | \$126,437.50 |
| \$149,250.00                          | December credit sales collections |             | \$31,715.63  | \$63,431.25  | \$29,178.38  |              |              | \$2,537.25    | \$126,862.50 |
| \$150,000.00                          | January credit sales collections  |             |              | \$31,875.00  | \$63,750.00  | \$29,325.00  |              | \$2,550.00    | \$127,500.00 |
| \$155,625.00                          | February credit sales collections |             |              |              | \$33,070.31  | \$66,140.63  | \$30,424.69  | \$2,645.63    | \$132,281.25 |
| \$150,937.50                          | March credit sales collections    |             |              |              |              | \$32,074.22  | \$64,148.44  | \$2,565.94    | \$98,788.59  |
| \$149,125.00                          | April credit sales collections    |             |              |              |              |              | \$31,689.06  | \$2,535.13    | \$34,224.19  |
| \$903,687.50                          | Month's totals                    | \$53,921.88 | \$117,321.88 | \$146,886.88 | \$149,342.44 | \$150,180.47 | \$148,630.94 | \$15,362.69   | \$781,647.16 |

# Budgets – H – Cash Collections

- February total sales of \$155,625 less the total collections expectations of \$152,979.38 gives us proof of our 2% uncollectible estimate of \$2,645.63. (There is a rounding issue of \$0.01)

| Miramar Merchandising Services, Inc.  |                                   |             |              |              |              |              |              |               |              |
|---------------------------------------|-----------------------------------|-------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|
| Cash Collections Budget               |                                   |             |              |              |              |              |              |               |              |
| For the Quarter ending March 31, 2015 |                                   |             |              |              |              |              |              |               |              |
| Monthly Sales:                        | Cash collections:                 | November:   | December:    | January:     | February:    | March:       | April:       | Uncollectible | Total        |
|                                       | Cash sales                        | \$22,312.50 | \$22,387.50  | \$22,500.00  | \$23,343.75  | \$22,640.63  | \$22,368.75  |               | \$135,553.13 |
| \$148,750.00                          | November credit sales collections | \$31,609.38 | \$63,218.75  | \$29,080.63  |              |              |              | \$2,528.75    | \$126,437.50 |
| \$149,250.00                          | December credit sales collections |             | \$31,715.63  | \$63,431.25  | \$29,178.38  |              |              | \$2,537.25    | \$126,862.50 |
| \$150,000.00                          | January credit sales collections  |             |              | \$31,875.00  | \$63,750.00  | \$29,325.00  |              | \$2,550.00    | \$127,500.00 |
| \$155,625.00                          | February credit sales collections |             |              |              | \$33,070.31  | \$66,140.63  | \$30,424.69  | \$2,645.63    | \$132,281.25 |
| \$150,937.50                          | March credit sales collections    |             |              |              |              | \$32,074.22  | \$64,148.44  | \$2,565.94    | \$98,788.59  |
| \$149,125.00                          | April credit sales collections    |             |              |              |              |              | \$31,689.06  | \$2,535.13    | \$34,224.19  |
| \$903,687.50                          | Month's totals                    | \$53,921.88 | \$117,321.88 | \$146,886.88 | \$149,342.44 | \$150,180.47 | \$148,630.94 | \$15,362.69   | \$781,647.16 |

# Budgets – H – Cash Collections

- With March total sales of \$150,937.50, the cash sales are ( $\$150,937.50 \times 15\%$ ) \$22,640.63.
- Therefore credit sales in March are ( $\$150,937.50 - \$22,640.63$ ) \$128,296.88. (Another \$0.01 rounding issue.)

| Miramar Merchandising Services, Inc.  |                                   |             |              |              |              |              |              |               |              |
|---------------------------------------|-----------------------------------|-------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|
| Cash Collections Budget               |                                   |             |              |              |              |              |              |               |              |
| For the Quarter ending March 31, 2015 |                                   |             |              |              |              |              |              |               |              |
| Monthly Sales:                        | Cash collections:                 | November:   | December:    | January:     | February:    | March:       | April:       | Uncollectible | Total        |
|                                       | Cash sales                        | \$22,312.50 | \$22,387.50  | \$22,500.00  | \$23,343.75  | \$22,640.63  | \$22,368.75  |               | \$135,553.13 |
| \$148,750.00                          | November credit sales collections | \$31,609.38 | \$63,218.75  | \$29,080.63  |              |              |              | \$2,528.75    | \$126,437.50 |
| \$149,250.00                          | December credit sales collections |             | \$31,715.63  | \$63,431.25  | \$29,178.38  |              |              | \$2,537.25    | \$126,862.50 |
| \$150,000.00                          | January credit sales collections  |             |              | \$31,875.00  | \$63,750.00  | \$29,325.00  |              | \$2,550.00    | \$127,500.00 |
| \$155,625.00                          | February credit sales collections |             |              |              | \$33,070.31  | \$66,140.63  | \$30,424.69  | \$2,645.63    | \$132,281.25 |
| \$150,937.50                          | March credit sales collections    |             |              |              |              | \$32,074.22  | \$64,148.44  | \$2,565.94    | \$98,788.59  |
| \$149,125.00                          | April credit sales collections    |             |              |              |              |              | \$31,689.06  | \$2,535.13    | \$34,224.19  |
| \$903,687.50                          | Month's totals                    | \$53,921.88 | \$117,321.88 | \$146,886.88 | \$149,342.44 | \$150,180.47 | \$148,630.94 | \$15,362.69   | \$781,647.16 |



# Budgets – H – Cash Collections

- With March credit sales of \$128,296.88,
- March credit sales collections in March are  $(\$128,296.88 \times 25\%)$  \$32,074.22.
- March credit sales collections in April are  $(\$128,296.88 \times 50\%)$  \$64,148.44.

| Miramar Merchandising Services, Inc.  |                                   |             |              |              |              |              |              |               |              |
|---------------------------------------|-----------------------------------|-------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|
| Cash Collections Budget               |                                   |             |              |              |              |              |              |               |              |
| For the Quarter ending March 31, 2015 |                                   |             |              |              |              |              |              |               |              |
| Monthly Sales:                        | Cash collections:                 | November:   | December:    | January:     | February:    | March:       | April:       | Uncollectible | Total        |
|                                       | Cash sales                        | \$22,312.50 | \$22,387.50  | \$22,500.00  | \$23,343.75  | \$22,640.63  | \$22,368.75  |               | \$135,553.13 |
| \$148,750.00                          | November credit sales collections | \$31,609.38 | \$63,218.75  | \$29,080.63  |              |              |              | \$2,528.75    | \$126,437.50 |
| \$149,250.00                          | December credit sales collections |             | \$31,715.63  | \$63,431.25  | \$29,178.38  |              |              | \$2,537.25    | \$126,862.50 |
| \$150,000.00                          | January credit sales collections  |             |              | \$31,875.00  | \$63,750.00  | \$29,325.00  |              | \$2,550.00    | \$127,500.00 |
| \$155,625.00                          | February credit sales collections |             |              |              | \$33,070.31  | \$66,140.63  | \$30,424.69  | \$2,645.63    | \$132,281.25 |
| \$150,937.50                          | March credit sales collections    |             |              |              |              | \$32,074.22  | \$64,148.44  | \$2,565.94    | \$98,788.59  |
| \$149,125.00                          | April credit sales collections    |             |              |              |              |              | \$31,689.06  | \$2,535.13    | \$34,224.19  |
| \$903,687.50                          | Month's totals                    | \$53,921.88 | \$117,321.88 | \$146,886.88 | \$149,342.44 | \$150,180.47 | \$148,630.94 | \$15,362.69   | \$781,647.16 |

# Budgets – H – Cash Collections

- March credit sales collections in May are  $(\$128,296.88 \times 23\%)$  \$29,508.28.
- The total collected for March sales is  $(\$22,640.63 + \$32,074.22 + \$64,148.44 + \$29,508.28)$  \$148,371.56.

| Miramar Merchandising Services, Inc.  |                                   |             |              |              |              |              |              |               |              |
|---------------------------------------|-----------------------------------|-------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|
| Cash Collections Budget               |                                   |             |              |              |              |              |              |               |              |
| For the Quarter ending March 31, 2015 |                                   |             |              |              |              |              |              |               |              |
| Monthly Sales:                        | Cash collections:                 | November:   | December:    | January:     | February:    | March:       | April:       | Uncollectible | Total        |
|                                       | Cash sales                        | \$22,312.50 | \$22,387.50  | \$22,500.00  | \$23,343.75  | \$22,640.63  | \$22,368.75  |               | \$135,553.13 |
| \$148,750.00                          | November credit sales collections | \$31,609.38 | \$63,218.75  | \$29,080.63  |              |              |              | \$2,528.75    | \$126,437.50 |
| \$149,250.00                          | December credit sales collections |             | \$31,715.63  | \$63,431.25  | \$29,178.38  |              |              | \$2,537.25    | \$126,862.50 |
| \$150,000.00                          | January credit sales collections  |             |              | \$31,875.00  | \$63,750.00  | \$29,325.00  |              | \$2,550.00    | \$127,500.00 |
| \$155,625.00                          | February credit sales collections |             |              |              | \$33,070.31  | \$66,140.63  | \$30,424.69  | \$2,645.63    | \$132,281.25 |
| \$150,937.50                          | March credit sales collections    |             |              |              |              | \$32,074.22  | \$64,148.44  | \$2,565.94    | \$98,788.59  |
| \$149,125.00                          | April credit sales collections    |             |              |              |              |              | \$31,689.06  | \$2,535.13    | \$34,224.19  |
| \$903,687.50                          | Month's totals                    | \$53,921.88 | \$117,321.88 | \$146,886.88 | \$149,342.44 | \$150,180.47 | \$148,630.94 | \$15,362.69   | \$781,647.16 |

# Budgets – H – Cash Collections

- March total sales of \$150,937.50 less the total collections expectations of \$148,371.56 gives us proof of our 2% uncollectible estimate of \$2,565.94.

| Miramar Merchandising Services, Inc.  |                                   |             |              |              |              |              |              |               |              |
|---------------------------------------|-----------------------------------|-------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|
| Cash Collections Budget               |                                   |             |              |              |              |              |              |               |              |
| For the Quarter ending March 31, 2015 |                                   |             |              |              |              |              |              |               |              |
| Monthly Sales:                        | Cash collections:                 | November:   | December:    | January:     | February:    | March:       | April:       | Uncollectible | Total        |
|                                       | Cash sales                        | \$22,312.50 | \$22,387.50  | \$22,500.00  | \$23,343.75  | \$22,640.63  | \$22,368.75  |               | \$135,553.13 |
| \$148,750.00                          | November credit sales collections | \$31,609.38 | \$63,218.75  | \$29,080.63  |              |              |              | \$2,528.75    | \$126,437.50 |
| \$149,250.00                          | December credit sales collections |             | \$31,715.63  | \$63,431.25  | \$29,178.38  |              |              | \$2,537.25    | \$126,862.50 |
| \$150,000.00                          | January credit sales collections  |             |              | \$31,875.00  | \$63,750.00  | \$29,325.00  |              | \$2,550.00    | \$127,500.00 |
| \$155,625.00                          | February credit sales collections |             |              |              | \$33,070.31  | \$66,140.63  | \$30,424.69  | \$2,645.63    | \$132,281.25 |
| \$150,937.50                          | March credit sales collections    |             |              |              |              | \$32,074.22  | \$64,148.44  | \$2,565.94    | \$98,788.59  |
| \$149,125.00                          | April credit sales collections    |             |              |              |              |              | \$31,689.06  | \$2,535.13    | \$34,224.19  |
| \$903,687.50                          | Month's totals                    | \$53,921.88 | \$117,321.88 | \$146,886.88 | \$149,342.44 | \$150,180.47 | \$148,630.94 | \$15,362.69   | \$781,647.16 |

# Budgets – H – Cash Collections

- At some point you have to stop because this is a continuous cycle, no month is “clean,” containing only its values.
- So, to show January, you must show November and December as well as February and March.

# Budgets – H – Cash Collections

- Due to reality, you do not collect 100% of your sales on credit in most situations.
- Therefore, cash collections in January are (\$22,500 from January cash sales + \$29,080.63 from November credit sales + \$63,431.25 from December credit sales + \$31,875 from January credit sales) \$146,886.88.

| For the Quarter ending March 31, 2015 |                                   |             |              |              |              |              |              |               |              |
|---------------------------------------|-----------------------------------|-------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|
| Monthly Sales:                        | Cash collections:                 | November:   | December:    | January:     | February:    | March:       | April:       | Uncollectible | Total        |
|                                       | Cash sales                        | \$22,312.50 | \$22,387.50  | \$22,500.00  | \$23,343.75  | \$22,640.63  | \$22,368.75  |               | \$135,553.13 |
| \$148,750.00                          | November credit sales collections | \$31,609.38 | \$63,218.75  | \$29,080.63  |              |              |              | \$2,528.75    | \$126,437.50 |
| \$149,250.00                          | December credit sales collections |             | \$31,715.63  | \$63,431.25  | \$29,178.38  |              |              | \$2,537.25    | \$126,862.50 |
| \$150,000.00                          | January credit sales collections  |             |              | \$31,875.00  | \$63,750.00  | \$29,325.00  |              | \$2,550.00    | \$127,500.00 |
| \$155,625.00                          | February credit sales collections |             |              |              | \$33,070.31  | \$66,140.63  | \$30,424.69  | \$2,645.63    | \$132,281.25 |
| \$150,937.50                          | March credit sales collections    |             |              |              |              | \$32,074.22  | \$64,148.44  | \$2,565.94    | \$98,788.59  |
| \$149,125.00                          | April credit sales collections    |             |              |              |              |              | \$31,689.06  | \$2,535.13    | \$34,224.19  |
| \$903,687.50                          | Month's totals                    | \$53,921.88 | \$117,321.88 | \$146,886.88 | \$149,342.44 | \$150,180.47 | \$148,630.94 | \$15,362.69   | \$781,647.16 |

# Budgets – H – Cash Collections

- The same vertical addition issues apply to every month as you go from month-to-month.
- One step at a time.
- Read and understand how cash and credit sales information is provided.
- Use a tool like Microsoft Excel.

| For the Quarter ending March 31, 2015 |                                   |             |              |              |              |              |              |               |              |
|---------------------------------------|-----------------------------------|-------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|
| Monthly Sales:                        | Cash collections:                 | November:   | December:    | January:     | February:    | March:       | April:       | Uncollectible | Total        |
|                                       | Cash sales                        | \$22,312.50 | \$22,387.50  | \$22,500.00  | \$23,343.75  | \$22,640.63  | \$22,368.75  |               | \$135,553.13 |
| \$148,750.00                          | November credit sales collections | \$31,609.38 | \$63,218.75  | \$29,080.63  |              |              |              | \$2,528.75    | \$126,437.50 |
| \$149,250.00                          | December credit sales collections |             | \$31,715.63  | \$63,431.25  | \$29,178.38  |              |              | \$2,537.25    | \$126,862.50 |
| \$150,000.00                          | January credit sales collections  |             |              | \$31,875.00  | \$63,750.00  | \$29,325.00  |              | \$2,550.00    | \$127,500.00 |
| \$155,625.00                          | February credit sales collections |             |              |              | \$33,070.31  | \$66,140.63  | \$30,424.69  | \$2,645.63    | \$132,281.25 |
| \$150,937.50                          | March credit sales collections    |             |              |              |              | \$32,074.22  | \$64,148.44  | \$2,565.94    | \$98,788.59  |
| \$149,125.00                          | April credit sales collections    |             |              |              |              |              | \$31,689.06  | \$2,535.13    | \$34,224.19  |
| \$903,687.50                          | Month's totals                    | \$53,921.88 | \$117,321.88 | \$146,886.88 | \$149,342.44 | \$150,180.47 | \$148,630.94 | \$15,362.69   | \$781,647.16 |

# Budgets – H – Cash Collections

- The next recommended presentation is Budgets – I – Cash Payments Budget, or
- Budgets – J – Cash Budget.
- This is a one step at a time process.
- Do not rush it.

# Budgets – H – Cash Collections

The end.