

Budgets – I – Cash Payments

Accounting presentation created by
Rex A Schildhouse
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www.schildhouse.com



Budgets – I – Cash Payments

- The Cash Payments Budget is another fun with a tool like Microsoft Excel.

Miramar Merchandising Services, Inc.				
Cash Payments Budget				
For the Quarter ending March 31, 2015				
	January:	February:	March:	April:
Direct materials payments in the month of use:	\$38,569.15	\$39,417.82	\$38,713.78	
Direct materials payments in the month following use:	2,150.00	6,806.32	6,956.09	6,831.84
Direct labor payments due in the month earned:	3,982.28	4,089.94	3,999.60	
Direct labor payments due in the month following the month earned:	215.00	442.48	454.44	444.40
FOH / MOH costs paid in the month incurred:	11,082.94	11,341.22	11,124.50	
FOH / MOH costs paid in the month following the month incurred:	1,725.00	583.31	596.91	585.50
Operating expenses paid in the month incurred:	65,597.50	65,785.42	65,628.82	
Operating expenses paid in the month following the month incurred:	1,985.00	3,452.50	3,462.39	3,454.15
Total cash expected to be paid:	\$125,306.86	\$131,919.01	\$130,936.52	

Budgets – I – Cash Payments

- For our sample company here is the setup.
- Notice that nothing is paid totally in the month incurred.
- Because of that we have December obligations being paid in January.

Direct materials payments in the month of use:	85%
Direct materials payments in the month following use:	15%
Direct materials payments due from December:	\$2,150.00
Direct labor payments due in the month earned:	90%
Direct labor payments due in the month following the month earned:	10%
Direct labor payments due from December:	\$215.00
FOH / MOH costs paid in the month incurred:	95%
FOH / MOH costs paid in the month following the month incurred:	5%
FOH / MOH costs to be paid from December:	\$1,725.00
Operating expenses paid in the month incurred:	95%
Operating expenses paid in the month following the month incurred:	5%
Operating expenses to be paid from December:	\$1,985.00

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- These numbers all come from previous budgets where costs or expenses are incurred.
- The payment issues are imposed on them.

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Budgets – I – Cash Payments

- For example, the Direct Materials Budget has \$45,375.47 for January purchases.

Miramar Merchandising Services, Inc.				
Direct Materials Budget				
For the Quarter ending March 31, 2015				
	January	February	March	Quarter
Total cost of purchase:	\$45,375.47	\$46,373.91	\$45,545.63	\$137,295.00

- The setup tells us that 85% of this will be paid in January and 15% will be paid in February.

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- $\$45,375.47 \times 85\% = \$38,569.15$.
- $\$45,375.47 \times 15\% = \$6,806.32$.
- $\$38,569.15 + \$6,806.32 = \$45,375.47$.
- Double check.

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Budgets – I – Cash Payments

- By timing / placement, January is in January and February in most cases.
- February is in February and March.
- And it goes on.

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- This is another budget that is simply hard to stop since the months are affected by the preceding and affect the following.

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Budgets – I – Cash Payments

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

Budgets – I – Cash Payments

The end.