

Exercise 9-11 (30 minutes)

1.

Gaeber Industries
Production Budget

	<i>1st Quarter</i>	<i>2nd Quarter</i>	<i>3rd Quarter</i>	<i>4th Quarter</i>	<i>Year</i>
Budgeted unit sales	8,000	7,000	6,000	7,000	28,000
Add desired ending inventory...	<u>1,400</u>	<u>1,200</u>	<u>1,400</u>	<u>1,700</u>	<u>1,700</u>
Total units needed	9,400	8,200	7,400	8,700	29,700
Less beginning inventory	<u>1,600</u>	<u>1,400</u>	<u>1,200</u>	<u>1,400</u>	<u>1,600</u>
Required production.....	<u>7,800</u>	<u>6,800</u>	<u>6,200</u>	<u>7,300</u>	<u>28,100</u>

Exercise 9-11 (continued)

2.

Gaeber Industries
Direct Materials Budget

	<i>1st</i> <i>Quarter</i>	<i>2nd</i> <i>Quarter</i>	<i>3rd</i> <i>Quarter</i>	<i>4th</i> <i>Quarter</i>	<i>Year</i>
Required production.....	7,800	6,800	6,200	7,300	28,100
Raw materials per unit	<u>× 2</u>	<u>× 2</u>	<u>× 2</u>	<u>× 2</u>	<u>× 2</u>
Production needs.....	15,600	13,600	12,400	14,600	56,200
Add desired ending inventory.....	<u>2,720</u>	<u>2,480</u>	<u>2,920</u>	<u>3,140</u>	<u>3,140</u>
Total needs.....	18,320	16,080	15,320	17,740	59,340
Less beginning inventory	<u>3,120</u>	<u>2,720</u>	<u>2,480</u>	<u>2,920</u>	<u>3,120</u>
Raw materials to be purchased	<u>15,200</u>	<u>13,360</u>	<u>12,840</u>	<u>14,820</u>	<u>56,220</u>
Cost of raw materials to be purchased at \$4.00 per pound	<u><u>\$60,800</u></u>	<u><u>\$53,440</u></u>	<u><u>\$51,360</u></u>	<u><u>\$59,280</u></u>	<u><u>\$224,880</u></u>

Schedule of Expected Cash Disbursements for Materials

Accounts payable, beginning balance....	\$14,820				\$ 14,820
1st Quarter purchases.....	45,600	\$15,200			60,800
2nd Quarter purchases.....		40,080	\$13,360		53,440
3rd Quarter purchases			38,520	\$12,840	51,360
4th Quarter purchases	____	____	____	<u>44,460</u>	<u>44,460</u>
Total cash disbursements for materials	<u><u>\$60,420</u></u>	<u><u>\$55,280</u></u>	<u><u>\$51,880</u></u>	<u><u>\$57,300</u></u>	<u><u>\$224,880</u></u>