

Exercise 9-13 (30 minutes)

1.

Hareston Company
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.....	7,000	8,000	6,000	5,000	26,000
Raw materials per unit	<u>× 2</u>	<u>× 2</u>	<u>× 2</u>	<u>× 2</u>	<u>× 2</u>
Production needs.....	14,000	16,000	12,000	10,000	52,000
Add desired ending inventory.....	<u>1,600</u>	<u>1,200</u>	<u>1,000</u>	<u>1,500</u>	<u>1,500</u>
Total needs.....	15,600	17,200	13,000	11,500	53,500
Less beginning inventory	<u>1,400</u>	<u>1,600</u>	<u>1,200</u>	<u>1,000</u>	<u>1,400</u>
Raw materials to be purchased	<u>14,200</u>	<u>15,600</u>	<u>11,800</u>	<u>10,500</u>	<u>52,100</u>
Cost of raw materials to be purchased at \$1.40 per pound	<u>\$19,880</u>	<u>\$21,840</u>	<u>\$16,520</u>	<u>\$14,700</u>	<u>\$72,940</u>

Schedule of Expected Cash Disbursements for Materials

Accounts payable, beginning balance.....	\$ 2,940				\$ 2,940
1st Quarter purchases.....	15,904	\$ 3,976			19,880
2nd Quarter purchases.....		17,472	\$ 4,368		21,840
3rd Quarter purchases			13,216	\$ 3,304	16,520
4th Quarter purchases				11,760	11,760
Total cash disbursements for materials	<u>\$18,844</u>	<u>\$21,448</u>	<u>\$17,584</u>	<u>\$15,064</u>	<u>\$72,940</u>

Exercise 9-13 (continued)

2.

Hareston Company
Direct Labor 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>
Units to be produced.....	7,000	8,000	6,000	5,000	26,000
Direct labor time per unit (hours)	<u>× 0.60</u>	<u>× 0.60</u>	<u>× 0.60</u>	<u>× 0.60</u>	<u>× 0.60</u>
Total direct labor-hours needed	4,200	4,800	3,600	3,000	15,600
Direct labor cost per hour	<u>× \$14.00</u>	<u>× \$14.00</u>	<u>× \$14.00</u>	<u>× \$14.00</u>	<u>× \$14.00</u>
Total direct labor cost	<u>\$ 58,800</u>	<u>\$ 67,200</u>	<u>\$ 50,400</u>	<u>\$ 42,000</u>	<u>\$218,400</u>