

Assignment #4 – Developing a Master Budget [30%]

This assignment relates to the following Course Learning Requirement:

CLR 5: Analyze financial results and plan for subsequent periods.

Using a spreadsheet software or Microsoft Excel create a multi-period master budget for manufacturing company.

Activity – After reviewing Module 6 - Instructor's Notes and completing an internet search, prepare a 12-month Master Budget for a company of your choosing. It can be a company that you are closely connected to or one randomly selected.

Here is a website that provides valuable information on preparation of a Master Budget – **Please DO NOT limit your search to only this.**

Components of the Budget

- <https://www.principlesofaccounting.com/chapter-21/components/> (1)

Remember: As you are preparing the Master Budget, some information is **NOT** provided. You are required to decide or predict or forecast this information.

Guidelines

You have 3 weeks to complete this assignment. Assignment #4 is released to you in the 6th week (module 6) of this course and is due at the end of week 8 (module 8). Your facilitator will advise you of these dates and any further information.

Tasks:

1. Please provide a brief introduction for the company. The introduction should include:
 - Name of company
 - Location of company
 - Name of owner
 - Nature of the business.
 - Type of product
 - Fiscal period
2. For the company that you have selected - Prepare a 12-month Master Budget. Your submission must show each month's activities – example January, February, March etc.
3. Include a column and a line Total and complete calculations of them by months and by Item line.

4. Here are some considerations to include:
 - You must forecast your sales, purchases, direct labour and manufacturing overhead for each month and any other information as required.
 - All sales are on accounts
 - **Expected collections** are to be 50% in the month of the sale, 30 % in the first month following the sale, and 20% in the second month following the sale.
 - **Production** the company will end each month with sufficient inventory to cover 20% of the following month's sales. The new year started with 600 units in stock and plan to finish each year with 825 units in stock.
 - The company pays 60% of direct materials purchased in cash in the month of purchase and the balance is due in the month following the purchase. It pays all other items above in the month incurred, except for selling and administrative expenses that include \$1,000 of amortization per month.
 - Cost of Goods Sold: 60% of the sale and desired ending inventory and 20% of next month's sale
 - Payment Pattern: 60% of purchases paid in the month of the purchase and 40% paid in the next month.
 - Cash in Bank – January 2020 is \$20,000.
 - The company is expected to purchase equipment in March 2020 for \$10,000.
 - The dividend paid per quarter is \$2,000.
 - Selling and administration expenses per month are \$ 40,000.
 - Equipment balance for December 31, 2029 is \$60,000. Accumulated depreciation – straight line; 5 years
 - Common stock is \$ 6,000

5. The company has access to a line of credit with the bank with the following terms – interest rate is 1% per month on the first day of the month; interest payable is calculated at 1% of the previous month's outstanding balance. Borrowings in a given month are taken out at the beginning of the month.

6. The company wishes to maintain a minimum balance of \$10,000 at all times.

7. Ensure that your total boxes correctly total up the rows in your columns.

8. **Submission** – in an Excel Spreadsheet
 - a. Brief introduction for the company – Spreadsheet 1 **(5 Marks)**
 - b. Master Budget in an excel spreadsheet – Spreadsheet 2. **(80 marks)**

GOOD LUCK!

SCORING RUBRIC – Master Budget (30%)

ITEM	REQUIREMENTS	MARK
Company Introduction	<ul style="list-style-type: none"> - Name and location of company is included. - Name of owner and nature of the business is included. - Type of product are included - Fiscal period is included 	/5
Master Budget	<ul style="list-style-type: none"> - Heading is complete with Company Name, Name of report and date centered at the top three lines - All components of Master Budget – Sales budget; Production budget; Labour budget; Materials Budget; Selling and Administration budget; Factory Overhead Budget; Ending finished goods; Budgeted Financial Statements – are included - All considerations as per the guidelines are included - All monthly columns are included and totaled correctly - Correct report prepared - Minimum balance is maintained 	/ 80
Format	<ul style="list-style-type: none"> - Assignment submitted in Excel Format - All reports included in ONE Excel workbook - All required reports included - Consistent format through workbook 	/5
	TOTAL	/90

Reference

- (1) Walther, Larry M. – Managerial Accounting - 2020 Edition Chapter 21 – the components of the Master Budget. Retrieved from: <https://www.principlesofaccounting.com/chapter-21/components/>