Super Gadgets

Super Gadgets, a manufacturing business that sells gadgets, wants a master budget prepared, beginning January 1, 20X6.

The managers of the different departments have provided the following information:

The Sales Manager has projected the following sales:
- 1st Quarter 700 units
- 2nd Quarter 850 units
- 3rd Quarter 1,000 units
- 4th Quarter 1,150 units
- Projected selling price is $9.00/unit.

The Manufacturing Manager has estimated the cost per unit will be:
- $1.05 for direct material
- $1.75 for direct labour
- $0.75 for manufacturing overhead

Your Production Manager gave the following information:
- Ending Inventory is to be 35% of next month’s production need **rounded to the nearest 10.
- Next year’s 1st Quarter needs: 1,280 units
- Beginning Inventory for the 1st Quarter is 200 units.

The Accounting Department Manager has provided the following information:
- Selling Expenses:
  - Variable: Commission 5% of Sales
  - Fixed: (split evenly over the 4 quarters)
    - Rent $1,200 per year
    - Advertising $400 per year
    - Telephone $800 per year
    - Depreciation Expense – Office $500 per year
- Administrative Expenses:
  - Variable: Bad Debts Expense – estimated at 1% of Sales
  - Fixed: (split evenly over the 4 quarters)
    - Salaries $6,000 per year
    - Insurance $440 per year
    - Telephone $800 per year
    - Supplies $200 per year
    - Other Expenses $400 per year
Cash Receivable:
- 4\textsuperscript{th} Quarter Sales of previous year was $900
- 90\% of sales is collected in the quarter in which they were made
- 9\% of sales collected in the following quarter in which they were made
- 1\% of sales is uncollectible

Accounts Payable:
- One half of a month’s purchases are paid for in the quarter of purchase; the other half is paid for in the following quarter.
- The accounts payable balance on December 31 of the previous quarter is $300

Federal Income Tax is estimated at 25\% average.

Depreciation of Manufacturing Overhead is $200 divided evenly over the 4 quarters.

Super Gadgets has a $10,000 cash balance for the beginning of the 1\textsuperscript{st} quarter

Super Gadgets borrowed $10,000 in the 1\textsuperscript{st} Quarter and paid it back in the 4\textsuperscript{th} Quarter.

Dividends of $5,000 are to be paid in the fourth quarter.

From the beginning Balance Sheet:
- Land = $20,000
- Building = $148,000
- Depreciation (Building) = $33,000
- Retained Earnings = $51,717.50
- Capital Stock = $90,000

For the Master Budget, you are expected to prepare the following:
- Sales Budget
- Cost of Goods Sold Budget
- Selling Expense Budget
- Administrative Expense Budget
- Production Budget
- Budgeted Income Statement plus a Budget of Collections of Accounts Receivable
- Direct Materials Budget plus a Schedule of Expected Cash Disbursements
- Direct Labour Budget
- Manufacturing Overhead Budget
- Cash Budget
- Budgeted Balance Sheet