

WEL COME
to

- ICT CLASS ROOM
B. Com. II Sem. IV

Lecture delivered by
Dr. F.W.Niranjane

Subject

**MANAGEMENT
ACCOUNTING**

Name of Chapter

CASH BUDGETING

Cash Budget :-

This budget represent the amount of cash receipt and payment and a balance during the budgeted period.

Objectives :

The objective of cash budget is the proper co-ordination of total working capital, sales, investment and credit

Method :

**How to prepare cash budget
for the company with the
help of given information**

Example :

From the following forecasts of income and expenditure' prepare a cash budget for the months of January to April' 2018 :-

Months	Sales (Credit) Rs.	Purchase (Credit) Rs.	Wages Rs.	Manufact uring Exp. Rs.	Administr ation Exp. Rs.	Selling Exp. Rs.
2017:						
Nov.	60000	30000	6000	2300	2120	1000
Dec.	70000	40000	6400	2450	2080	1100
2018:						
Jan.	50000	30000	5000	1980	2200	1200
Feb.	60000	40000	6000	2100	2300	1240
Mar.	70000	45000	4800	2200	2440	1140
Apr.	80000	50000	5200	2400	2360	1420

Additional information is as follows:-

1. Balance of cash in hand on 1st January 2018 is Rs. 30000
2. The customers are allowed a credit period of 2 months.
3. The creditors are allowing a credit of 2 months.
4. Wages are paid on the 1st of the next month.
5. Lag in payment of other expenses is one month.
6. A dividend of Rs. 20000 is payable in April.
7. Capital expenditure to be incurred :
Plant purchased on 15th January for Rs.10000, a building has been purchased on 1st March and the payments are to be made in monthly instalments of Rs4000 each.

Working Notes:

	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
Credit sale (credit period 2 months)			60000	70000	50000	60000
payment to creditors (credit period 2 months)			30000	40000	30000	40000
wages (payment next month)			6400	5000	6000	4800
manufacturing exp. (lag 1 month)			2450	1980	2100	2200
Administration exp. (lag 1 month)			2080	2200	2300	2440
selling exp. (lag 1 month)			1100	1200	1240	1140

Solution :

Cash Budget
(For the months of January to April, 2018)

Particulars	January	February	March	April
Opening cash balance	30000	37970	57590	65950
Add: <u>Cash receipts</u> – credit sale realised	60000	70000	50000	60000
Total cash receipts (A)	90000	107970	107590	125950
Less: <u>Cash payments-</u>				
Payment to creditors	30000	40000	30000	40000
Wages	6400	5000	6000	4800
Manufacturing Exp.	2450	1980	2100	2200
Administration Exp.	2080	2200	2300	2440
Selling Exp.	1100	1200	1240	1140
Dividend	--	--	--	20000
Plant purchased	10000	--	--	--
Building purchased	--	--	4000	4000
Total cash payments (B)	52030	50380	41640	74580
Closing cash balance	37970	57590	65950	51370

Thank You