

FOX VALLEY TECHNICAL COLLEGE
BUSINESS & SERVICE DIVISION
ACCOUNTING DEPARTMENT

Financial Accounting 2 - Chapter 23 Handout 5

Master Budget Project

Required: Prepare a Master Budget for April. Use the March 31, 20__, Balance Sheet as your starting point. Prepare your budget in Excel using linked references whenever possible. Use whole dollars. Your budget should include the following:

- Name of Business
- Owner Name
- Size & Type of Business
- Location of Business
- A Table of Contents
- An Assumptions Page
- Five (5) Inventory items
- The Beginning Balance Sheet; See pg 2.
- Master Budgets listed below

1) Sales Budget

- # of items sold, sales price per unit, total sales

2) Merchandise Purchases Budget

- Determine your beginning inventory quantities – 5 items
- Determine your ending inventory.
- Ending inventory quantities must be different from beginning.
- Unit Cost
- Order additional items as needed

3) General and Administrative Expenses Budget

- Total of six expenses.
- Salaries, Advertising, depreciation, etc.

4) Capital Expenditures Budget

- Select at least one item to purchase

5) Cash Budget

- All sales are not collected. (do not use 50% or 100%)
- All purchases are not paid for. (do not use 50% or 100%)
- Determine how much you will pay for capital expenditures.

6) Income Statement

7) Statement of Retained Earnings

8) Balance Sheet, April 30, 20__

Balance Sheet
March 31, 20__

Assets

Cash	\$ 20,000
Prepaid Insurance	300
Inventory (This amount is determined by you)	*
Equipment	5,000
Building	50,000
Land	<u>40,000</u>
Total Assets	<u>\$</u>

Liabilities

Accounts Payable	\$ 500
Notes Payable	4,000
Mortgage Payable	<u>60,000</u>
Total Liabilities	\$64,500

Stockholders' Equity

Capital Stock (\$10 par)	\$ 39,000
Retained Earnings	*
Total Stockholders' Equity	*
Total Liabilities & Stockholders' Equity	<u>*</u>

Note: The items with an * are to be determined by you.

INVENTORY CALCULATIONS

Beginning Inventory:

Item Description	Number of Units	Unit Cost	Total Cost
Totals			

Ending Inventory:

Item Description	Number of Units	Unit Cost	Total Cost
Totals			

NOTE PAYABLE and MORTGAGE PAYABLE CALCULATIONS

- Required**
1. Determine the **annual** interest rate charged by the bank, the term of the note(s), and the principal payments on the note and mortgage
 2. Show all calculations
 - a) *Formula for Monthly Principal payment =*
Total principal ÷ number of years ÷ 12
 - b) *Formula for Monthly Interest Payment =*
Total Principal x Annual Rate = annual Interest ÷ 12 = monthly Interest

NOTE

PAYABLE

Show calculations below:

Monthly Amount

Principal payment on the note		
Interest payment on the note		

MORTGAGE

PAYABLE

Show calculations below:

Monthly Amount

Principal payment on the mortgage		
Interest payment on the mortgage		

Interest on the Note	
Interest on the Mortgage	
Total Interest Expense	\$

DEPRECIATION CALCULATIONS

Required: You determine the **number of years** over which to depreciate the equipment and the building. Use the straight line method of depreciation. **Show depreciation as a monthly amount.**

Formula: $\text{Cost} \div \text{Life} = \text{annual depreciation} \div 12 = \text{monthly depreciation}$

	<i>Show calculations below:</i>	Monthly Depreciation
Equipment (5 to 12 years)		
Building (25 to 60 years)		