1. Orion Corporation is preparing a cash budget for the six months beginning January 1. Shown below are the company's expected collection pattern and the budgeted sales for the period.

Expected collection pattern:
65% collected in the month of sale
20% collected in the month after sale
10% collected in the second month after sale
4% collected in the third month after sale
1% uncollectible

Budgeted sales:
- January: $160,000
- February: $185,000
- March: $190,000
- April: $170,000
- May: $200,000
- June: $180,000

The estimated total cash collections during April from sales and accounts receivables would be:
A) $155,900.
B) $167,000.
C) $171,666.
D) $173,400.

2. Modesto Company produces and sells Product AlphaB. To guard against stockouts, the company requires that 20% of the next month's sales be on hand at the end of each month. Budgeted sales of Product AlphaB over the next four months are:

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales (units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>June</td>
<td>30,000</td>
</tr>
<tr>
<td>July</td>
<td>40,000</td>
</tr>
<tr>
<td>August</td>
<td>60,000</td>
</tr>
<tr>
<td>September</td>
<td>50,000</td>
</tr>
</tbody>
</table>

Budgeted production for August would be:
A) 62,000 units.
B) 70,000 units.
C) 58,000 units.
D) 50,000 units.

3. Marple Company's budgeted production in units and budgeted raw materials purchases over the next three months are given below:

<table>
<thead>
<tr>
<th>Month</th>
<th>January</th>
<th>February</th>
<th>March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production (in units)</td>
<td>60,000</td>
<td>?</td>
<td>100,000</td>
</tr>
</tbody>
</table>
Budgeted raw materials purchases (in pounds)  129,000 165,000 188,000

Two pounds of raw materials are required to produce one unit of product. The company wants raw materials on hand at the end of each month equal to 30% of the following month's production needs. The company is expected to have 36,000 pounds of raw materials on hand on January 1. Budgeted production for February should be:

A) 105,000 units.
B) 82,500 units.
C) 150,000 units.
D) 75,000 units.

4. The Waverly Company has budgeted sales for next year as follows:

<table>
<thead>
<tr>
<th>Quarter</th>
<th>First</th>
<th>Second</th>
<th>Third</th>
<th>Fourth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales in units</td>
<td>12,000</td>
<td>14,000</td>
<td>18,000</td>
<td>16,000</td>
</tr>
</tbody>
</table>

The ending inventory of finished goods for each quarter should equal 25% of the next quarter's budgeted sales in units. The finished goods inventory at the start of the year is 3,000 units. Scheduled production for the third quarter should be:

A) 17,500.
B) 18,500.
C) 22,000.
D) 13,500.

5. Avril Company makes collections on sales according to the following schedule:

- 30% in the month of sale
- 60% in the month following sale
- 8% in the second month following sale

The following sales are expected:

<table>
<thead>
<tr>
<th>Expected Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
</tr>
<tr>
<td>$100,000</td>
</tr>
<tr>
<td>February</td>
</tr>
<tr>
<td>120,000</td>
</tr>
<tr>
<td>March</td>
</tr>
<tr>
<td>110,000</td>
</tr>
</tbody>
</table>

Cash collections in March should be budgeted to be:

A) $110,000.
B) $110,800.
C) $105,000.
D) $113,000.
Use the following to answer questions 6-9:

Information on the actual sales and inventory purchases of the Law Company for the first quarter follow:

<table>
<thead>
<tr>
<th></th>
<th>Sales</th>
<th>Purchases</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>$120,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>February</td>
<td>$100,000</td>
<td>$78,000</td>
</tr>
<tr>
<td>March</td>
<td>$130,000</td>
<td>$90,000</td>
</tr>
</tbody>
</table>

Collections from Law Company's customers are normally 60% in the month of sale, 30% in the month following sale, and 8% in the second month following sale. The balance is uncollectible. Law Company takes full advantage of the 3% discount allowed on purchases paid for by the end of the following month. The company expects sales in April of $150,000 and inventory purchases of $100,000. Operating expenses for the month of April are expected to be $38,000, of which $15,000 is salaries and $8,000 is depreciation. The remaining operating expenses are variable with respect to the amount of sales in dollars. Those operating expenses requiring a cash outlay are paid for during the month incurred. Law Company's cash balance on March 1 was $43,000, and on April 1 was $35,000.

6. The expected cash collections from customers during April would be:
   A) $150,000.
   B) $137,000.
   C) $139,000.
   D) $117,600.

7. The expected cash disbursements during April for inventory purchases would be:
   A) $100,000.
   B) $97,000.
   C) $90,000.
   D) $87,300.

8. The expected cash disbursements during April for operating expenses would be:
   A) $38,000.
   B) $30,000.
   C) $23,000.
   D) $15,000.

9. The expected cash balance on April 30 would be:
The LFM Company makes and sells a single product, Product T. Each unit of Product T requires 1.3 hours of labor at a labor rate of $9.10 per hour. LFM Company needs to prepare a Direct Labor Budget for the second quarter of next year.

10. The company has budgeted to produce 25,000 units of Product T in June. The finished goods inventories on June 1 and June 30 were budgeted at 500 and 700 units, respectively. Budgeted direct labor costs incurred in June would be:
A) $293,384.
B) $304,031.
C) $295,750.
D) $227,500.
Answer Key -- Quiz Chapter 9

1. D $173,400.
   Format: Multiple Choice
   Difficulty: Medium
   Type: CMA adapted
   Origin: Chapter 9, Profit Planning....30

2. C 58,000 units.
   Format: Multiple Choice
   Difficulty: Medium
   Type: (None)
   Origin: Chapter 9, Profit Planning....32

3. D 75,000 units.
   Format: Multiple Choice
   Difficulty: Hard
   Type: (None)
   Origin: Chapter 9, Profit Planning....37

4. A 17,500.
   Format: Multiple Choice
   Difficulty: Medium
   Type: (None)
   Origin: Chapter 9, Profit Planning....38

5. D $113,000.
   Format: Multiple Choice
   Difficulty: Easy
   Type: (None)
   Origin: Chapter 9, Profit Planning....41

6. B $137,000.
   Format: Multiple Choice
   Difficulty: Medium
   Type: (None)
   Origin: Chapter 9, Profit Planning....57
   Refer To: Ref. 9-3

7. D $87,300.
   Format: Multiple Choice
   Difficulty: Easy
   Type: (None)
   Origin: Chapter 9, Profit Planning....58
   Refer To: Ref. 9-3
8. B $30,000.
   Format: Multiple Choice
   Difficulty: Easy
   Type: (None)
   Origin: Chapter 9, Profit Planning....59
   Refer To: Ref. 9-3

   Format: Multiple Choice
   Difficulty: Hard
   Type: (None)
   Origin: Chapter 9, Profit Planning....60
   Refer To: Ref. 9-3

    Format: Multiple Choice
    Difficulty: Medium
    Type: (None)
    Origin: Chapter 9, Profit Planning....78
    Refer To: Ref. 9-11