

Note: Higher level questions are marked with an asterisk*

3. Pierre Blanc

a)

Pierre Blanc				
Cash budget for the 3 months ended 30 June 2022				
	April	May	June	Total
	€	€	€	€
Receipts				
Cash from customers	<u>4,100</u>	<u>5,200</u>	<u>6,000</u>	<u>15,300</u>
Total receipts	<u>4,100</u>	<u>5,200</u>	<u>6,000</u>	<u>15,300</u>
Payments				
To suppliers	1,800	1,900	2,050	5,750
Rent	450	450	450	1,350
Wages	300	300	300	900
Drawings	500	500	500	1,500
Other expenses	<u>150</u>	<u>200</u>	<u>350</u>	<u>700</u>
Total payments	<u>3,200</u>	<u>3,350</u>	<u>3,650</u>	<u>10,200</u>
Net receipts / (payments)	900	1,850	2,350	5,100
Balance brought forward	<u>-3,100</u>	<u>-2,200</u>	<u>-350</u>	<u>-3,100</u>
Balance carried forward	<u>-2,200</u>	<u>-350</u>	<u>2,000</u>	<u>2,000</u>

b) Pierre will owe for the latest 2 months' purchases, that is May 2022 (€2,100) and June 2022 (€3,500) totalling €5,600.

4. Sean

a)

Cash flow budget for the 6 months ended

30 November

	June	July	Aug	Sep	Oct	Nov	Total
	€	€	€	€	€	€	€
Receipts							
Capital	12,000						12,000
Loan	8,000						8,000
Cash sales	3,000	3,000	3,000	3,500	4,500	5,000	22,000
Credit sales cash	_____	<u>3,000</u>	<u>3,500</u>	<u>4,000</u>	<u>4,500</u>	<u>5,000</u>	<u>20,000</u>
Total	<u>23,000</u>	<u>6,000</u>	<u>6,500</u>	<u>7,500</u>	<u>9,000</u>	<u>10,000</u>	<u>62,000</u>
Payments							
Rent deposit	5,000						5,000
Rent	2,500			2,500			5,000
Initial stock	12,000						12,000
Purchases	-	4,800	5,200	5,600	6,400	7,600	29,600
Shelving	3,800						3,800
Wages	400	400	400	400	400	400	2,400
Van lease	450	450	450	450	450	450	2,700
Other expenses	500	380	400	500	550	600	2,930
Drawings	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>3,000</u>
Total	<u>25,150</u>	<u>6,530</u>	<u>6,950</u>	<u>9,950</u>	<u>8,300</u>	<u>9,550</u>	<u>66,430</u>
Net movement	(2,150)	(530)	(450)	(2,450)	700	450	(4,430)

Balance b/fwd	<u>0</u>	<u>(2,150)</u>	<u>(2,680)</u>	<u>(3,130)</u>	<u>(5,580)</u>	<u>(4,880)</u>	<u>0</u>
Balance c/fwd	<u>(2,150)</u>	<u>(2,680)</u>	<u>(3,130)</u>	<u>(5,580)</u>	<u>(4,880)</u>	<u>(4,430)</u>	<u>(4,430)</u>

- b) Sean should request an overdraft of at least €5,580.
 c) The overdraft should gradually reduce.

5. Manuel

Digital Security

Cash budget for the 3 months to

31 March

	January	February	March	Total
	€	€	€	€
Receipts				
System sales	10,800	15,000	16,800	42,600
Installation	<u>5,000</u>	<u>6,000</u>	<u>7,000</u>	<u>18,000</u>
Total	<u>15,800</u>	<u>21,000</u>	<u>23,800</u>	<u>60,600</u>
Payments				
Suppliers	8,400	9,000	12,500	29,900
Insurance		1,800		1,800
Wages	4,000	4,000	5,000	13,000
Drawings	3,000	3,000	3,000	9,000
Motor expenses	400	400	400	1,200
Advertising	<u>450</u>	<u>450</u>	<u>450</u>	<u>1,350</u>
Total	<u>16,250</u>	<u>18,650</u>	<u>21,350</u>	<u>56,250</u>

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Net movement	(450)	2,350	2,450	4,350
Balance b/fwd	<u>4,500</u>	<u>4,050</u>	<u>6,400</u>	<u>4,500</u>
Balance c/fwd	<u>4,050</u>	<u>6,400</u>	<u>8,850</u>	<u>8,850</u>

***6. Ben Lee**

a)

There are several reasons for preparing a cash budget including the following:

- To predict the cash balance over the period of the budget.
- To arrange an appropriate overdraft facility with the bank.
- To plan uses for any anticipated cash surpluses.
- To plan the timing of expenditure.

(b)

Ben Lee
Cash budget for the 4 months ended 30 June 2022

	March	April	May	June	Total
	£	£	£	£	£
Receipts					
Capital	12,000				12,000
Cash sales		1,300	1,500	1,800	4,600
Total	<u>12,000</u>	<u>1,300</u>	<u>1,500</u>	<u>1,800</u>	<u>16,600</u>
Payments					
Van	9,000				9,000
Machinery	3,000				3,000
Van – painting		700			700
Purchases – op inventory		3,850			3,850
Purchases:					
Replacement inventory			390	450	840
Petrol		80	80	80	240
Motor insurance		750			750
Drawings		500	500	500	1,500
Total	<u>12,000</u>	<u>5,880</u>	<u>970</u>	<u>1,030</u>	<u>19,880</u>
Net movement	-	(4,580)	530	770	(3,280)

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Balance b/fwd	-	-	(4,580)	(4,050)	-
Balance c/fwd	-	(4,580)	(4,050)	(3,280)	(3,280)

7. Sue

a)

Oxford Cycles							
Cash budget for the six months ended 30 June 2022							
	January	February	March	April £	May £	June £	Total £
	£	£	£				
Receipts							
Cash sales	8,000	6,000	5,000	5,000	5,000	8,000	37,000
Total receipts	8,000	6,000	5,000	5,000	5,000	8,000	37,000
Payments							
Petrol	200	200	200	200	200	200	1,200
Purchases	1,600	5,333	4,000	3,333	3,333	3,333	20,932
Shop rental	900			900			1,800
Wages	1,200	1,200	1,200	1,200	1,200	1,200	7,200

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Van	4,200						4,200
Drawings	700	700	700	700	700	700	4,200
Electricity	400	400	400	400	400	400	2,400
Total payments	9,200	7,833	6,500	6,733	5,833	5,833	41,932
Net receipts/(payments)	(1,200)	(1,833)	(1,500)	(1,733)	(833)	2,167	(4,932)
Balance brought forward	3,500	2,300	467	(1,033)	(2,766)	(3,599)	3,500
Balance carried forward	2,300	467	(1,033)	(2,766)	(3,599)	(1,432)	(1,432)

Working to find payments to suppliers:

	Sales in month £		Cost of sales = purchases £	Purchases paid for
January	8,000	□ 66.67%	5,333	February
February	6,000	□ 66.67%	4,000	March
March	5,000	□ 66.67%	3,333	April
April	5,000	□ 66.67%	3,333	May

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May	5,000	<input type="checkbox"/> 66.67%	3,333	June
June	8,000	<input type="checkbox"/> 66.67%	5,333	July

b) The cash budget for Oxford Cycles shows that the business is expected to exceed its overdraft limit in April and May 2022. Sue could consider renegotiating her bank overdraft facility to see if it can be increased, or she can take steps to reduce her outgoings. She could consider the following courses of action:

- (i) Take on one new member of staff rather than two. This would reduce outgoings by an estimated £600 per month and allow the business to stay within its overdraft facility.
- (ii) Reduce the level of drawings she plans to make.
- (iii) Defer purchasing the van and maybe use a delivery firm or rent a van when needed.