**Chapter Three / Operation Budget**

Example ( 1 ) / Iraq company for furniture produces and sells office desk , and the next - planned sales during fife month of year 2010 .

April 725 unit , May 1000 unit , June 1200unit , July 1700 unit , August 700 unit

Planned selling price (10000) dinar per unit .

Required / Prepare sales Budget for second chapter 2010.

Sales Budget

For second chapter 2010.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Total chapter | June | May | April | Details |
| 2925  10000  29250000 | 1200  10000  12000000 | 1000  10000  10000000 | 725  10000  7250000 | Sales quantity  Planned selling price  Sales revenue |

Example ( 2 ) / Iraq company for furniture office desk , and comes with its related by sales and storage policy in company.

1- planned sales during four month of year 2010 .( sales budget )

April 725 unit , May 1000 unit , June 1200unit , July 1700 unit

2- The company policy is to keep Finished goods inventory at the and of each month equivalent 20% from sales of the following month .

Required / Prepare production budget for second chapter 2010.

production budget for second chapter 2010.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Total chapter | June | May | April | Details |
| 2925  340  (145)  3120 | 1200  340  (240)  1300 | 1000  240  (200)  1040 | 725  200  (145)  (780) | The quantity of sales planned  + Ending Finished goods inventory  - Beginning Finished goods inventory    = Production quantity |

Example ( 3 ) / Iraq company for furniture produced and sales office desk , and comes with its related by production quantity and raw materials for production in company.

1- planned production quantity during for second chapter of year 2010 .

April 780 unit , May 1040 unit , June 1300 unit

2- The office desk needs two types of wood are Swedish wood and oak , and here are the prices of these materials and the quantity that the table of the former two types and as follows:

1. Every table you need to ( 1 ) meter per unit ) Swedish wood selling price 1000 dinar for one meter .
2. Every table you need to ( 1.5 ) meter per unit ) oak wood selling price 2000 dinar for one meter .

Required / Prepare direct raw materials usage in production Budget for the second chapter 2010 .

Direct raw materials usage in production Budget

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Total chapter | June | May | April | Details |
| 3120  3120  3120000  4680  9360000  12480000 | 1300  1300  1300000  1950  3900000  5200000 | 1040  1040  1040000  1560  3120000  4160000 | 780  780  780000  1170  2340000  3120000 | The production of quantity  The Swedish wood  The raw of materials quantity (1 meter per unit)  The raw of materials cost (1000 dinar for meter  Oak wood  The raw of material quantity (1.5 meter per unit)  The raw of material cost (2000 dinar for meter  Total costs of the raw material . |

Example ( 4 ) / Iraq company for furniture produced and sales office desk , and comes with its related by production quantity , the needed labor hour for production unit ,and wage rate hour .

1. Planned production quantity during for second chapter of year 2010 .

April 780 unit , May 1040 unit , June 1300 unit .

1. Every table you need to (2) hour direct labor , planned wage rate hour 1000 dinar for one hour .

Required / Prepare direct labor costs Budget for the second chapter 2010 .

Direct labor costs Budget for the second chapter 2010 .

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Details | April | May | June | Total chapter |
| Planned production quantity  × The needed time for production unit  = direct labor hour  × Wage rate hour  Direct labor hour | 780  2  1560  1000  1560000 | 1040  2  2080  1000  2080000 | 1300  2  2600  1000  2600000 | 3120  2  6240  1000  6240000 |

Example ( 5 ) / Iraq company for furniture produced and sales office desk , and comes with its related by factory overhead cost for second chapter in year 2010:

1. Variable of Factory overhead cost carrying on the basis of direct working hours and the following rates.:

Indirect materials 125 dinar / hour

Indirect labor 50 dinar / hour

Fuel 25 dinar / hour

Note that the expected direct working hours during second chapter in year 2010 :

April 1560 hour , May 2080 hour , June 2600 hour

1. Fixed of Factory overhead cost monthly was :

Factory rent 180000 dinar

Depreciation 120000 dinar

Insurance 90000 dinar

Required/ prepare the manufacturing overhead cost budget for second chapter in year 2010.

Manufacturing overhead cost budget

for second chapter in year 2010.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Details | April | May | JUNE | Total chapter |
| Direct labor hour  Variable of factory overhead cost  Indirect material 125 dinar / hour  Indirect labor 50 dinar / hour  Fuel 25 d /h  Fixed of factory overhead cost  Factory rent  Depreciation  Insurance  Total manufacturing overhead cost | 1560  195000  78000  39000  180000  120000  90000  702000 | 2080  260000  104000  52000  180000  120000  90000  806000 | 2600  325000  130000  65000  180000  120000  90000  910000 | 6240  780000  312000  156000  540000  360000  270000  2418000 |

Example ( 6 ) / Iraq company for furniture produced and sales office desk , and comes with its related by expected production costs and quantities, as well as quantities ending Finished goods inventory during the second chapter of year 2010:

1. Expected production costs during the second chapter of year 2010:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Details | April | May | June | Total chapter |
| Direct material | 3120000 | 4160000 | 5200000 | 12480000 |
| Direct labor | 1560000 | 2080000 | 2600000 | 6240000 |
| Manufacturing overhead cost | 702000 | 806000 | 910000 | 2418000 |

1. Expected Production quantity and ending Finished goods inventory during the second chapter of year 2010:

|  |  |  |  |
| --- | --- | --- | --- |
| Details | April | May | June |
| Production quantity ( units) | 780 | 1040 | 1300 |
| Quantity ending Finished goods inventory (units) | 200 | 240 | 340 |

Required/ prepare Production costs and ending Finished goods inventory budget.

Ending Finished goods inventory budget for second

chapter of year 2010

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Details | April | May | June | Total chapter |
| Direct material cost  Direct labor cost  Factory overhead cost  Production costs  / Production quantity  = Cost per unit  × Ending Finished goods inventory =  The costs ending Finished goods inventory | 3120000  1560000  702000  5382000  780  6900  200  1380000 | 4160000  2080000  806000  7046000  1040  6775  240  1626000 | 5200000  2600000  910000  8710000  1300  6700  340  2278000 | 12480000  6240000  2418000  21138000 |

Example (7 ) / Iraq company for furniture produced and sales office desk , and comes with its related by expected production costs and quantities, and expected production cost and ending & beginning Finished goods cost and during the second chapter of year 2010:

1. Expected production costs during the second chapter of year 2010:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Details | April | May | June | Total chapter |
| Direct material | 3120000 | 4160000 | 5200000 | 12480000 |
| Direct labor | 1560000 | 2080000 | 2600000 | 6240000 |
| Manufacturing overhead cost | 702000 | 806000 | 910000 | 2418000 |

1. Ending Finished goods inventory costs during the second chapter of year 2010:

April 1380000 , May 1626000 , June 2278000 .

1. Finished goods inventory quantity in 1/ 4/ 2010 145 unit by cost 7000dinar per unit .

Required/ prepare Cost of goods sold budget.

Cost of goods sold budget.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Details | April | May | June | Total chapter |
| Direct materials cost  Direct labor cost  Manufacturing overhead costs  Production costs  + Beginning production inventory  Cost of goods available for sale  + Ending production inventory  Sales production cost | 3120000  1560000  702000  5382000  1015000  639700  1380000  5017000 | 4160000  2080000  806000  7046000  1380000  8426000  1626000  6800000 | 5200000  2600000  910000  8710000  1626000  10336000  2278000  8058000 | 12480000  6240000  2418000  21138000  1015000  22153000  2278000  19875000 |

Example( 8 ) / Iraq company for furniture produced and sales office desk , and comes with its related by sales revenue , cost of goods sold , marketing cost , administrative cost during the second chapter of year 2010:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Details | April | May | June | Total chapter |
| sales revenue | 7250000 | 10000000 | 12000000 | 29250000 |
| cost of goods sold | 5017000 | 6800000 | 8058000 | 19875000 |
| marketing cost | 367500 | 450000 | 510000 | 1327500 |
| administrative cost | 180000 | 180000 | 180000 | 540000 |

Required/ prepare income statement budget for second chapter 2010 .

income statement budget for second chapter 2010 .

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Details | April | May | June | Total chapter |
| Sales revenue  -Cost of goods sold  = Gross profit  -Marketing cost  -Administrative cost  = Net income | 7250000  ( 5017000)  2233000  (367500)  (180000)  1685500 | 10000000  ( 6800000)  3200000  (450000)  (180000)  2570000 | 12000000  ( 8058000)  3942000  (510000)  (180000)  3252000 | 29250000  ( 19875000)  9375000  (1327500)  (540000)  7507500 |

Example ( 9 ) / Babylon company sit application for a master budget system for only one product , With some estimates for year 2009:

1. Estimated sales quantity for the chapter four of 2009 as follows :

Chapter first 800 unit , Chapter second 700 unit, Chapter three 900unit, Chapter four 800 unit.

Note that the estimate selling price is 80 dinar for unit

1. The companies policy is to maintain a finished goods inventory at the end of each chapter equivalent to 10% sales of the second chapter . the sales volume for the first chapter of 2010 was estimated at 1000 units .
2. You need the unit per 3 kg raw materials for at a price 2 dinar of kg per one .
3. The needed unit (5) direct working hour by wage rate ( 5) dinar for one hour .
4. The company carries the product by variable manufacture overhead costs by rate 2 dinar for every direct working hour . estimated company fixed manufacture overhead costs by amount of 6000 dinar .

Required/ prepare operational budgets of the following for 2009 .

1. Sales budget.
2. Production budget .
3. Raw materials usage budget .
4. Wage budget.
5. Manufacturing overhead costs budgets .
6. Sales budget.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Details | Chapter one | Chapter tow | Chapter three | Chapter four | Total |
| Planned sales quantity | 800 | 700 | 900 | 800 | 3200 |
| Planned selling price | 80 | 80 | 80 | 80 | 80 |
| Planned sales revenue | 64000 | 56000 | 72000 | 64000 | 256000 |

1. Production budget .

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Details | Chapter one | Chapter tow | Chapter three | Chapter four | Total |
| Planned sales quantity | 800 | 700 | 900 | 800 | 3200 |
| + Ending Finished goods inventory | 70 | 90 | 80 | 100 | 100 |
| - Beginning Finished goods inventory | 80 | 70 | 90 | 80 | 80 |
| Planned production quantity | 790 | 720 | 890 | 820 | 3220 |

1. Raw materials usage budget .

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Details | Chapter one | Chapter tow | Chapter three | Chapter four | Total |
| Production quantity | 790 | 720 | 890 | 820 | 3220 |
| ×The needed Materials for production unit. | 3 | 3 | 3 | 3 | 3 |
| = Raw materials quantity usage in production | 2370 | 2160 | 2670 | 2460 | 9660 |
| × purchases price | 2 | 2 | 2 | 2 | 2 |
| = Raw materials cost usage in production | 4740 | 4320 | 5340 | 4920 | 19320 |

1. Wage budget.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Details | Chapter one | Chapter tow | Chapter three | Chapter four | Total |
| Production quantity | 790 | 720 | 890 | 820 | 3220 |
| × The needed time for production unit | 5 | 5 | 5 | 5 | 5 |
| = Direct working hours | 3950 | 3600 | 4450 | 4100 | 16100 |
| × Wage rate hour | 5 | 5 | 5 | 5 | 5 |
| Direct labor cost | 19750 | 18000 | 22250 | 20500 | 80500 |

1. Manufacturing overhead costs budgets .

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Details | Chapter one | Chapter tow | Chapter three | Chapter four | Total |
| Direct working hours | 3950 | 3600 | 4450 | 4100 | 16100 |
| ×Charging rate  For variable manufacture overhead costs | 2 | 2 | 2 | 2 | 2 |
| = variable manufacture overhead costs | 7900 | 7200 | 8900 | 8200 | 32200 |
| + Fixed manufacture overhead costs | 6000 | 6000 | 6000 | 6000 | 24000 |
| = Total manufacture overhead costs. | 13900 | 13200 | 14900 | 14200 | 56200 |