

Functional Budgets Problems and Solutions

Problem # 1: Following data are related to Naeem Sultan manufacturing Ltd. You are required to prepare sales budget?

Estimated Sales:

Product	Pakistan	India	Price for Pak	Price for India
Desktop	400 units	200 units	Rs. 15,000 per unit	Rs. 13,000 per unit
Laptop	90 units	130 units	Rs. 35,000 per unit	Rs. 32,000 per unit
Printer	20 units	70 units	Rs. 8,000 per unit	Rs. 7,000 per unit

Solution:

Sales Budget (in units and Rupees)

Product	Pakistan			India			Total	
	Units	Price	Amount	Units	Price	Amount	Units	Amount
Desktop								
Laptop								
Printer								
Total	510	--	9,310,000	400	--	7,250,000	910	16,560,000

Problem # 2: Estimated sales percentages for the last three-month period of the coming year of the Abdul Sami Tariq Company:

Towns	October	November	December	Total
Mansehra	10%	30%	60%	100%
Abbottabad	15	35	50	100
Balakot	25	35	40	100
Haripur	30	45	25	100

Estimated unit sales at Rs. 5, 7 and 8 per unit in October, November and December respectively

Towns	Units Sales
Mansehra	220
Abbottabad	350
Balakot	180
Haripur	70
Total	820

Requirements: An estimate of sales by units and Rupees for each of the last three months for each district and in total?

Solution:

Sales Budget (in units and Rupees)

Cities	October		November		December		Total	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount
Mansehra								
Abbottabad								
Balakot								
Haripur								
Total	140.5	702.5	283	1,981	396.5	3,172	820	5,855.5

Problem # 3: The Amna Tabbasum Hotel’s sales forecast for the next quarter, ending December 31st, indicates the following:

Product	Expected Sales
Snapper	2,000 Units
Shrimp	3,500
Pea	5,200

Inventories at the beginning and desired quantities at the end of the quarter are as follows:

Product	October 1 st	December 31 th
Snapper	580 units	250 Units
Shrimp	160	150
Pea	130	180

Requirement: A Production Budget in units for next quarter?

Solution:

Production Budget (in units)

Description	Snapper	Shrimp	Pea
Production Budget (in Units)	1,670	3,490	5,250

Problem # 4: Following are data for Sara Qazi Company Budgets, you are required to prepare following budgets:

(a) An estimate of sales by Units and Rupee for each of the three Cities and in Totals

(b) Production Budget (in Units)

(c) Direct Material Budget (in Units and amount)

Product	Expected sales	Estimated per Unit Sales Price	Required Materials per unit			
			Plastic	Brass	Aluminum	Steel
Chairs	Units 80,000	Rs. 60	kg 2	kg 2	Nil	kg 2
Tables	90,000	70	2	3	3	1
Doors	100,000	50	Nil	2	Nil	3
Windows	110,000	55	3	Nil	1	2

Estimated sales percentages for the three cities of the coming year of the company are:

Cities	Chairs	Tables	Door	Windows
Karachi	40%	30%	25%	35%
Lahore	25	50	45	40
Islamabad	35	20	30	25
Total	100%	100%	100%	100%

Estimated inventories at the beginning and desired quantities at the end of 2017 are:

Material	Beginning	Ending	Price per kg
Plastic	1,000 kg	4,000 kg	Rs. 3
Brass	1,500	5,000	4
Aluminum	3,000	2,500	5
Steel	4,000	8,000	6

Estimated inventories at the beginning and desired quantities at the end of 2017 are:

Product	Beginning	Ending
Chairs	2,000 Units	1,000 Units
Tables	3,000	3,000
Doors	5,000	1,500
Windows	4,000	6,000

Solution:

Sales Budget (in units and amount)

Cities	<i>Karachi</i>		<i>Lahore</i>		<i>Islamabad</i>		Total	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount

Production Budget (in Units)

<i>Description</i>	<i>Chairs</i>	<i>Tables</i>	<i>Door</i>	<i>Windows</i>

Direct Material Budget (in Units)

<i>Description</i>	<i>Plastic</i>	<i>Brass</i>	<i>Aluminum</i>	<i>Steel</i>
Production Requirement	589,000	810,000	477,000	859,000
Material Budget (in units)	596,000	819,000	475,000	868,000
Material Budget (in amount)				

Problem # 5: Gul Mohammad Incorporation prepared the following figures as a basis for its 2016 Budget:

<i>Product</i>	<i>Expected sales</i>	<i>Estimated per unit Sales Price</i>	<i>Required Materials per unit</i>	
			<i>A</i>	<i>B</i>
Shampoo	80,000 units	Rs. 150	1 kg	2 kg
Soap	40,000 units	50	2 kg	Nil
Powder	100,000 units	80	0.5 kg	1.5 kg

Estimated inventories at the beginning and desired quantities at the end of 2016 are:

<i>Material</i>	<i>Beginning</i>	<i>Ending</i>	<i>Price per kg</i>
A	10,000 kg	12,000 kg	Rs. 20
B	12,000 kg	15,000 kg	10

<i>Product</i>	<i>Beginning</i>	<i>Ending</i>
Shampoo	5,000 Units	6,000 Units
Soap	4,000 Units	2,000 Units
Powder	10,000 Units	8,000 Units

Required:

- 1) Production Budget (in Units)
- 2) Material Purchase Budget (in Units and amount)

Solution:

Production Budget (in units)

<i>Description</i>	<i>Shampoo</i>	<i>Soap</i>	<i>Powder</i>

