



### Demonstration Problem -- Budgeting

The budget director of DeeBow Company requests estimates of sales, production, and other operating data from the various administrative units every month. Selected information concerning sales and production for April of the current year are summarized as follows:

(a) Estimated sales for April by sales territory:

North:	Product E	12,000 units at \$50 per unit
	Product F	10,000 units at \$70 per unit
East:	Product E	9,000 units at \$50 per unit
	Product F	13,500 units at \$70 per unit
South:	Product E	19,000 units at \$50 per unit
	Product F	21,500 units at \$70 per unit

(b) Estimated inventories at April 1:

Direct Materials:	Material P	8,500 lbs.
	Material Q	18,000 lbs.
	Material R	7,000 lbs.
	Material S	6,500 lbs.
Finished Products:	Product E	7,500 units
	Product F	8,000 units

(c) Desired inventories at April 30:

Direct Materials:	Material P	9,000 lbs.	Material R	8,000 lbs.
	Material Q	16,500 lbs.	Material S	6,000 lbs.
Finished Products:	Product E	9,100 units		
	Product F	10,500 units		

(d) Direct materials used in production:

In manufacture of Product E:		
	Material P	2.4 lbs. per unit of product
	Material Q	1.2 lbs. per unit of product
	Material R	.9 lbs. per unit of product
In manufacture of Product F:		
	Material Q	1.8 lbs. per unit of product
	Material R	1.0 lbs. per unit of product
	Material S	1.3 lbs. per unit of product

(e) Anticipated purchase price for direct materials:

Material P	\$1.50 per lb.	Material R	\$5.00 per lb.
Material Q	\$.75 per lb.	Material S	\$2.60 per lb.

(f) Direct labor requirements:

Product E:		
	Department 20	2.0 hours at \$12 per hour
	Department 30	.5 hours at \$10 per hour
Product F:		
	Department 10	1.8 hours at \$16 per hour
	Department 20	1.2 hours at \$12 per hour

**Instructions:**

- (1) Prepare a sales budget for April.
- (2) Prepare a production budget for April.
- (3) Prepare a direct materials purchases budget for April.
- (4) Prepare a direct labor cost budget for April.

DeeBow Company						
Sales Budget						
For Month Ending April 30, 2012						
				Product		
				E		F
Region:						
North						
East						
South						
Total Sales in Units						
x Sales Price per Unit						
Total Revenue from Sales by Product						
Total Revenue from Sales						
DeeBow Company						
For Month Ending April 30, 2012						
				Units		
				Product E		Product F
Sales						
Add: Desired _____ Inventory						
Total						
Less: Estimated _____ Inventory						
Total Production						

**DeeBow Company**  
**Direct Materials Budget**  
**For Month Ending April 30, 2012**

				Direct Materials				
				P	Q	R	S	
Units to be Produced				Pounds Required per Unit				
	Product E							
	Product F							
Total Pounds Required:								
	Product E							
	Product F							
Add: Desired _____ Inventory								
Total Pounds Required								
Less: Estimated _____ Inventory								
Total Pounds to be Purchased								
x Unit Price per Pound								
Total Direct Materials Purchases								

**DeeBow Company**

**For Month Ending April 30, 2012**

				Dept 10	Dept 20	Dept 30
Units to be Produced				Hours Required per Department		
	Product E					
	Product F					
Hours Required for Production:						
	Product E					
	Product F					
Total						
Hourly Rate						
Total Direct Labor Cost						