

## FINANCE EXERCISE

### Task



Andrew Nut sets up in business as a manufacturer of string vests by putting £28 500 into a business bank account on

1 January. For the first six months of the year he anticipates or *budgets* for the following situations.

- His forecasts for the purchase of raw materials and sales receipts for finished goods, based upon extensive market research, are as follows:

Purchases (£)	Sales (£)
January 6 500	5 500
February 7 000	7 100
March 7 300	8 000
April 7 500	14 000
May 6 100	17 000
June 6 500	14 300

Andrew Nut has arranged one month's credit from suppliers, so raw materials purchased in January will have to be paid for in February.

He expects one-half of sales to be for cash and the other half on credit. He anticipates two months on average to be taken by credit customers; i.e. sales made in January on credit will not be settled until March.

Wages are expected to be £1000 per month, paid in the same month.

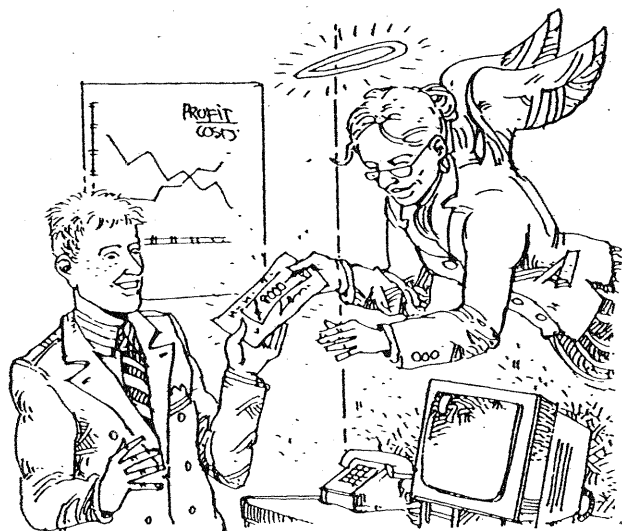
Machinery must be purchased for £15 500 on 1 January and must be paid for in the same month.

Rent for his factory is £6000 per annum, payable in equal instalments at the start of each month.

Other costs (*overheads*) are £1500 per month, and these are assumed to be paid in the month following that in which they are incurred.

In April, Andrew Nut expects to receive an inheritance from his Aunt Kitty of £8000, which he will put straight into the business bank account.

Prepare Andrew Nut's cash-flow forecast for the first six months.



### Task



Albert Spanner sets up as a manufacturer of machine tools by putting £17 400 into the business bank account on 1 January. For the

first six months of the year he anticipates or *budgets* for the following:

- His forecasts for the purchase of raw materials and sales receipts for finished goods, based upon market research, are as follows:

Purchases (£)	Sales (£)
January 3 200	2 000
February 3 350	4 000
March 4 185	6 200
April 5 500	7 000
May 5 700	8 200
June 5 900	8 400

Albert Spanner has arranged two months' credit from suppliers.

He expects one-quarter of sales to be for cash and the other three-quarters to be on credit. He anticipates two months' credit, on average to be taken by credit customers.

Wages are expected to be £800 per month, paid in the same month.

Machinery is to be purchased in January for £2500 and in April for £3500. On both occasions the owner anticipates making payments in the month following purchase.

Rent for his factory is £3000 per annum, payable in equal instalments at the start of each month.

Other overheads are £1000 per month, to be paid in the month following that in which they are incurred.

In May, Albert Spanner will take out a loan for £4000, which he intends to put straight into the business bank account.

Prepare A. Spanner's cash-flow forecast for the first six months of the year.