Answer on Question #62632 - Economics - Accounting

You have been asked to prepare the annual budget for a small business. The CEO has been helpful and shown you around. They have been responsible for the previous period's budgets. You have been introduced to the three departmental managers of marketing, production and logistics. The marketing manager has given you a sales forecast that they are confident with.

a. Describe who else you will talk to in order to set the sales assumption forecast. How will you document this? How is the sales budget used to build the other budgets?

b. What five steps does shim propose for building the master budget?

c. Who is responsible and what standards for negotiations should be set during budget meetings with the managers and CEO?

d. In what circumstances do NFP's complete for funding and what can influence the outcome of funding applications?

Answer

a. I further ask the manager of logistics information on sales opportunities in the real market. I'll make the following documents: Sales Budget and Schedule of Expected Cash Collections. The sales budget includes a computation of expected cash collections from credit sales, which will be used later for cash budgeting. After sales are budgeted, the production budget can be determined.

b. Prepare the master budget includes the basic steps:

1. Prepare a sales forecast.
2. Determine expected production volume.
3. Estimate operating expenses and manufacturing cost.
4. Determine cash flow and other financial effects.
5. preparation of projected financial statements.

c. The budgetary process should be standardized by using budget manuals, budget forms, and formal procedures. during the budget negotiations to draft documents Budget Manual, which defines the responsibility of persons involved in the budgeting systems. The timetable for the budget must be kept. If the budget is a "rush job," unrealistic targets may be set.

d. The cash budget helps management keep cash balances in a The cash budget helps management keep cash balances in a optimal relationship to needs relationship to needs. What It helps in avoiding having unnecessary idle cash and prevents possible cash shortages. With insufficient cash, they can be borrowed. In any given accounting period, the net financial position of a single economic unit is the difference between its net income generated and its capital expenditure. Because the revenue of any unit must match the expenditure of some other unit, the sum of the revenue of all units engaged in transactions must equal the sum of their expenditures. The net financial position of all units is zero. In order to obtain a line of credit, lenders typically require borrowers to submit the cash budget along with financial statements.