It expects to have sales of \$30,000 in January, \$35,000 in February, and \$35,000 in March. If 20% of sales are for cash, 40% are credit sales paid in the month after the sale, and another 40% are credit sales paid 2 months after the sale, what are the expected cash receipts for March?

## Solution:

month	January	February	March
Sales	\$30,000	\$35,000	\$35,000
Credit (40%)			

Cash (20%)

1. Firstly we have to find January credit sales collected in March:

 $30,000 \times 40\% = 12,000$ 

2. February credit sales collected in March:

 $35,000 \times 40\% = 14,000$ 

3. Cash collected from March cash sales:

 $35,000 \times 20\% = 7,000$ 

Total expected cash receipts for March= January credit sales collected in March + February credit sales collected in March + Cash collected from March cash sales = \$12,000 + \$14,000 + \$7,000 = \$33,000

Total expected cash receipts for March = \$33,000