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 $=\$ 33,000$

