

QUESTION

Prepare a Production budget for the next quarter from the following information given to you in your capacity as Assistant Financial Accountant in your company:

The Sales Department have projected unit sales for the next four months as follows:

April	25,600 units
May	27,400 units
June	26,800 units
July	29,000 units

The company has a strict inventory policy under which you are expected to ensure that at the end of any month there will be produced and already in stock 20% of the following months expected unit sales. It is expected that on 1st April, there will be 5800 units of finished product in stock.

SOLUTION:

PRODUCTION BUDGET

	APRIL (units)	MAY (units)	JUNE (units)	JULY (units)
Budgeted Sales	25600	27400	26800	29000
Less opening stock	-5800	-5480	-5360	
	19800	21920	21440	
+ target ending stock	5480	5360	5800	
Required Production	25280	27280	27240	