

Master Budget:

**Klein Electronic Company**  
**Sales Budget**  
**Quarter Ending September 30, 2004**

		<u>July</u>	<u>August</u>	<u>September</u>	<u>Total</u>
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Cash Sales	0.1	45,000	52,500	80,000	177,500
Credit Sales	0.9	405,000	472,500	720,000	1,597,500
<b>Total Sales</b>		<b>450,000</b>	<b>525,000</b>	<b>800,000</b>	<b>1,775,000</b>

**Klein Electronic Company**  
**Schedule of Expected Cash Collections**  
**Quarter Ending September 30, 2004**

		<u>July</u>	<u>August</u>	<u>September</u>	<u>Total</u>
Accounts Receivable:					
80% x 220000		176000			176000
10% x 220000			22000		22000
July Credit Sales:					0
30% x 405000		121500			121500
60% x 405000			243000		243000
8% x 405000				32400	32400
August Credit Sales:					0
30% x 472500			141750		141750
60% x 472500				283500	283500
September Credit Sales:					0
30% x 720000				216000	216000
<b>Total Cash Collections:</b>		<b>297500</b>	<b>406750</b>	<b>531900</b>	<b>1236150</b>

**Klein Electronic Company**  
**Budgeted Purchases**  
**Quarter Ending September 30, 2004**

	<u>July</u>	<u>August</u>	<u>September</u>
Next month budgeted sales	288750	440000	451000
Ratio of inventory to future sales	0.4	0.4	0.4
Budgeted ending inventory	115500	176000	180400
Add budgeted sales	247500	288750	440000
Required available merchandise	363000	464750	620400
Deduct beginning inventory	100000	115500	176000
<b>Inventory to be purchased</b>	<b>263000</b>	<b>349250</b>	<b>444400</b>

Master Budget:

**Klein Electronic Company  
Cash Payments for Inventory  
For Quarter ending September 30, 2004**

		<u>July</u>	<u>August</u>	<u>September</u>	<u>Total</u>
Accounts Payable:					
	June 30	35000			35000
July Purchases					0
	70% x 360000	184100			184100
	30% x 360000		78900		78900
August Purchases:					0
	70% x 635000		244475		244475
	30% x 635000			104775	104775
September:					0
	70% x 808000			311080	311080
					958330
Total payments for inventory		219100	323375	415855	958330

**Klein Electronic Company  
Cash Budget  
July 2004 – September 2004**

	<u>July</u>	<u>August</u>	<u>September</u>	<u>Total</u>
Beginning Cash Balance	60,000	991,217	40,000	60,000
Add Receipts:				
Cash Sales	45,000	52,500	80,000	177,500
Plus Bond	980,000			980,000
A/R collections	297,500	406,750	531,900	1,236,150
Total Cash Available	1,382,500	1,450,467	651,900	2,453,650
Cash Disbursements				
Payments for merchandise	219,100	323,375	415,855	958,330
Sales Commissions	60,000	36,000	42,000	138,000
Selling, General & Admin Exp	196,250	196,250	196,250	588,750
Equipment Purchases		800,000		800,000
Income taxes Qtr end 6/30		50,000		50,000
Dividends Payable				0
Bond interest	24,000			24,000
Mature bond	800,000			800,000
Total Cash Disbursements	1,299,350	1,405,625	654,105	3,359,080
Cash Excess (Deficiency)	83,150	44,842	-2,205	-905,430
Financing				
Borrowing	908,367		47,047	955,414
Repayments				0
Interest	-300	-4,842	-4,842	-9,984
Total Financing	60000	908,067	42,205	945,430
Cash balance Ending	991,217 *	40,000	40,000	40,000

\* More then \$40000 due to early August cash purchase of equipment

Master Budget:

**Klein Electronic Company**  
**Income Statement**  
**For Quarter ending September 30, 2004**

Sales		1,775,000
Cost of goods sold:		
Beginning inventory	100,000	
Purchases	1,056,650	
Goods available for sale	<u>1,156,650</u>	
Ending inventory	180,400	
Cost of goods sold		<u>976,250</u>
Gross Margin (Profit)		798,750
Operating expenses:		
Commissions exp	142,000	
Bad debt expense	30,100	
Selling, general & Administrative Expenses	588,750	
Depreciation – Building	6,249	
Depreciation – Equip	11,667	
Total operating expenses		<u>778,766</u>
Income from operations		19,984
Other expense:		
Notes Int Exp	9,984	
Bond interest expense	17,500	
Income before taxes		<u>-7,500</u>
Income taxes		0
Net Income		<u><u>-7,500</u></u>
Basic earnings per share:		-\$0.25

Master Budget:

**Klein Electronic Company**  
**Balance Sheet**  
**Quarter Ending September 30, 2004**

<b>Assets</b>			
Current Assets			
Cash		40,000	
Account Receivable	581,350		
Less Allowance for doubtful accounts	<b>-50,100</b>	<u>531,250</u>	
Inventories		180,400	
Total Current Assets			751,650
Property, Plant & Equipment Assets			
Land		830,000	
Building	500,000		
Less Accumulated depreciation	<b>-236,249</b>	<u>263,751</u>	
Equipment	1,000,000		
Less Accumulated depreciation	<b>-51,667</b>	<u>948,333</u>	
Total Property, Plant & Equipment Assets			<u>2,042,084</u>
Total Assets			<u><u>2,793,734</u></u>
<b>Liabilities and Equity</b>			
Current Liabilities			
Accounts Payable		133,320	
Income Taxes Payable			
Dividends payable		15,000	
Notes Payable		1,015,414	
Commissions Payable (8% Sep sales)		64,000	
Bond Interest Payable (Aug & Sep)		13,333	
Bonds Payable, Maturing 7/31/2024	1,000,000		
Less discount on Bonds payable	19,833	<u>980,167</u>	
Total Current Liabilities			2,221,234
Stockholders' Equity			
Common Stock, \$10 par value		300,000	
Net income		<b>-7,500</b>	
Retained Earnings		280,000	
Total stockholders' Equity			<u>572,500</u>
Total Liabilities and Equity			<u><u>2,793,734</u></u>

Master Budget:

**Klein Electronic Company  
Statement of Cash Flows  
Quarter Ending September 30, 2004**

Cash flows from operating activities		
Cash Received from customers	1,413,650	
Cash paid for merchandise	-958,330	
Cash paid for commissions	-138,000	
Cash paid for interest on short term loans	-9,984	
Cash paid for Selling, General, & Admin Exp	-588,750	
Cash paid for taxes	-50,000	
Net cash provided by operating activities		-331,414
Cash flows from investing activities		
Cash paid for equipment purchase	-800,000	
Net cash provided by investing activities		-800,000
Cash Flows from Financing activities		
Cash received from Short term loan	955,414	
Cash paid to retire bond	-800,000	
Cash paid for retired bond interest	-24,000	
Cash received from Bond issue	980,000	
Net cash provided by financing activities		1,111,414
Net increase (decrease) in cash		-20,000
Cash balance at beginning of Quarter		60,000
Cash balance at end of Quarter		40,000

**Contribution Margin Ratio:**

<u>Sales – Variable Costs</u>	576350	
Sales	1775000	0.32

**Current Ratio:**

<u>Current Assets</u>	751,650	
Current Liabilities	2221234	0.34

**Debt Ratio**

<u>Total Liabilities</u>	2,221,234	
Total Assets	2,793,734	0.8

**Equity Ratio**

<u>Total Equity</u>	572,500	
Total Assets	2,793,734	0.2

**Debt-to-Equity Ratio:**

<u>Total Liabilities</u>	2,221,234	
Total Stockholder Equity	572,500	3.88

**Break Even Sales**

<u>Fixed costs</u>	588,750	
Contribution Margin Ratio	0.32	1,813,189