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Which budget is prepared directly after the sales budget in a manufacturing company? **Production Budget**

The cash budget includes four major sections: receipts, disbursements, the cash excess or deficiency, and **financing**.

Which of the following are advantages of budgeting? (Check all that apply.)

>>**Budgets coordinate the activities of the entire organization by integrating the plans of its various parts.**

>>**The budgeting process can uncover potential bottlenecks before they occur.**

>>**Budgets define goals and objectives that can serve as benchmarks for evaluating subsequent performance.**

>>**Budgets force managers to think about and plan for the future.**

Which budget is a detailed schedule showing the expected sales for the budget period? **Sales budget**

The underlying idea behind **responsibility** accounting is that a manager should be held accountable for only those items the manager can actually control.

Which budget shows all costs of production other than direct materials and direct labor? **Manufacturing overhead budget**

The **master** budget consists of a number of separate, but interdependent, budgets that formally lay out the company's sales, production, and financial goals.

The purpose of a budget should be to (check all that apply):

>>**establish goals**

>>**motivate people**

>>**coordinate efforts**

In a manufacturing company, which budget shows the number of units that must be produced to satisfy sales needs and to provide for the desired ending inventory? **Production budget**

In a manufacturing company, the **direct materials** budget details the raw materials that must be purchased to fulfill the production budget and to provide for adequate inventories.

Which of the following budgets are directly based on number of expected units to be sold from the sales budget?

>>**Purchases budget**

>>**Production budget**

To calculate the direct labor requirement for each quarter: **multiply the number of direct labor hours required per unit times the number of units to be produced.**

A manager who wants to submit a budget that is easy to attain will try to put budgetary **slack** into his or her budget.

A(n) **self-imposed/participative** budget is prepared with the full cooperation of management at all levels.

What is multiplied by the budgeted unit sales to obtain total sales on the sales budget? **Sales price per unit**

The budgeted **income statement** shows a company's planned net profit and serves as a benchmark against which subsequent company performance can be measured.

ABC, Inc.'s expected sales for the first six month of the year are as follows.

Month	Expected Unit Sales
January	12,000
February	15,000
March	16,000
April	20,000
May	22,000
June	25,000

Management believes that an appropriate ending inventory is 25% of next month's sales. Calculate the number of units to be produced in March. **17,000**

Gathering feedback to ensure that the plan is being followed is referred to as **controlling**.

Which of the following budgets are needed to calculate unit product costs?

>>**Direct materials budget**

>>**Manufacturing overhead budget**

>>**Direct labor budget**

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Required borrowings on a cash budget is calculated by: **adding the desired ending cash balance to the amount of cash deficiency.**

The budget that shows the budgeted expenses for area other than manufacturing is the **selling and administrative** expense budget.

When preparing a direct materials purchase budget, which of the following is needed to calculate the raw materials to be purchased?

>>**Beginning inventory of raw materials**

>>**Raw materials required per unit**

**The budget** is a plan for acquiring and using resources over a specified time period.

The **direct labor** budget shows the direct labor hours required to satisfy the production budget.

What is *usually* the major source of receipts in the receipts section of the cash budget? **Sales**

The production, purchases, inventories, and expense budgets all depend on the **sales** budget.

The calculation of unit product cost requires information from which of the following budgets? **Manufacturing overhead budget**

The direct labor budget is based on the **production** budget.

A(n) **budget** is a quantitative plan for acquiring and using resources over a specified time period.

Which of the following types of budgets keep managers focused one year ahead, so they do not become too narrowly focused on short-term results?

>>**Continuous**

>>**Perpetual**

To calculate raw materials to be purchased on the direct materials budget, add the desired **ending** inventory of raw materials to the raw materials needed based on the **production** budget and **subtract** the beginning inventory of raw materials to arrive at raw materials to be purchased.

Variable selling and administrative expenses are calculated by multiplying the budgeted units **sold** by the variable selling and administrative expense per unit.

Why should the budgeting process be taken seriously?

>>**The budget sets the benchmarks used to evaluate departments.**

>>**The budget allocates resources to departments.**

Expected **cash** collections consist of collections on credit sales made to customers in prior periods plus collects on sales made in the current budget period.

Developing goals and preparing various budgets to achieve those goals is part of the **planning** process.

A budgeted balance sheet is developed using data from the **beginning** of the budget period and data contained in the various schedules.

The ending finished goods inventory budget computes the: **cost of unsold units**

The beginning raw materials inventory for the year is the same as the beginning raw materials for which quarter? **First**

In most companies, **depreciation** is the most common significant noncash manufacturing overhead cost.

If a budget initiated by top management has targets that are set too high: **motivation will suffer**

Profit planning is accomplished by preparing a number of **budgets** that together form an integrated business plan.

What is added to the budgeted unit sales on a production budget to obtain the total number of units to be produced?

**Desired ending inventory.**

**Planning** involves developing goals for the budget, whereas **Control** involves steps taken to ensure that steps towards meeting the goal are being followed.

A(n) **merchandise purchases** budget shows the amount of goods for resale to be purchased from suppliers during the period.

A manager who is unable to meet a budget that has been imposed from above can always say that the budget was unrealistic and impossible to meet. With a(n) **self-imposed** budget, this excuse is not available.

Which of the following characterizes a stretch budget? **Very challenging**

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Which of the following is directly used in the cash disbursements schedule? **Payments for raw materials**

To prepare a budgeted balance sheet as of December 31, 2012, data is needed from the: **balance sheet as of December 31, 2011.**

What number does the direct materials budget take *directly* from the production budget? **Required production**

A budget **committee** is usually responsible for overall policy relating to the budget program and for coordinating the preparation of the budget itself.

Who has the *most* influence over lower-level managers' attitudes towards a budget program? **Top executives**

Which of the following statements is *true*? **Materials and labor budgets are based on the production budget.**

Which of the following statements is *false*? **The human aspects of budgeting are not important to the process.**

Which budget shows the amount of goods to be purchased from suppliers during the period? **Merchandise purchases budget**

The unit product cost is needed to: **determine cost of goods sold on the budgeted income statement.**

Operating budgets generally cover a **one-year** period.

Edison Corporation's variable manufacturing overhead rate is \$5.00 per direct labor-hour. Total budgeted fixed overhead is \$25,000 per month. The \$25,000 per month includes \$7,000 in depreciation expense. Total budgeted direct labor-hours for the month of July is 20,000. Calculate the budgeted cash disbursement for manufacturing overhead for July. **\$118,000**

True or false: Budgeting is a technical process and human factors are not important. **False.**