Chapter 6

Preparing Various Types of Budgets

Introduction

- We have examined the concepts of business budget and budgetary control in the preceding chapter. Let us now turn to an analysis of the types of business budgets. There are mainly three bases for classification of business budgets. They are – time, purpose and function. Since functional classification is most important, we shall discuss it in more details in the present chapter.
- Business budgets can be classified from various point of view: (1) From the viewpoint of its purpose, it can be classified into three classes: (a) Product costing budget, (b) Responsibility or Control budget and (c) Fore-cast budget. (2) From the viewpoint of time, budget can be divided into two categories: (a) Long – term budget and (b) Short – term budget. (3) From the viewpoint of flexibility, budgets can be divided into two classes : (a) Fixed budget and (b) Flexible budget.

Functional Classification of Budgets

(1) Sales budget

(2) Production Cost budget

   a) Materials budget

   b) Direct labour budget

   c) Factory overhead budget

   d) Service department budget

(3) Administration cost budget

(4) Sales and distribution cost budget

Production Budget

- The targets of production during budget period can be had from the production budget. The quantity to be produced can be ascertained on the basis of sales estimates set in the sales budget, the stock of finished product at the beginning of the budget period and the stock desired to be held at the end of this period. In addition to production budget three other budgets are also required to conduct production operation. They are materials budget, labour cost budget and other production cost budget.
- It is difficult to decide whether sales budget should precede production budget or the other way round. The solution of this problem depends on such factors as the nature of business and type of product, etc. Where sale does not pose a difficult problem, production estimates are made before sales budget is prepared. Conversely where sale is not an easy function for the management, sales budget with forecasts of future sales is prepared before production budget is framed.

Production Budget

- Following issues are included in the production budget:
  I. To lay down the policy about the stock of finished products,
  II. To make an estimate of the quantity to be produced during the budget period,
  III. To fix a schedule of output to be produced during every week, month or three months,
  IV. To give approval to the production budget,
  V. To determine the procedure of production control,
  VI. To make a comparison between actual production and estimated production every day, every week or every month, so that discrepancies between the two may not go unnoticed.

Materials Budget

- Materials budget is concerned with determining quantities of raw materials required for budgeted production. First, the annual requirements of raw materials is determined and then it is divided into, daily, weekly and monthly requirement.
- Generally, an executive officer of the production department is entrusted with the task of preparing materials budget.
- If the amount of materials required per unit of output is known, total requirement can be easily determined on the basis of production budget.

Purchase Budget

- If purchases of raw materials are planned carefully, expenditure can be reduced to a great extent and financial resources of the company can be saved considerably. If the quantity of raw materials that would be required at different points of time during a year is specified in the materials budget, a detailed plan of purchase can be formulated.
- It is the responsibility of the purchase officer to prepare a purchase budget which includes such matters as (i) the quantity of each type of material to be purchased, (ii) the time of purchase and (iii) the cost of purchase.
- While preparing purchase budget, it is necessary to give thought to the maximum and minimum levels of inventories because the timing of purchase depends on these limits. The maximum and minimum levels of inventories can be determined on the basis of past experience and seasonal demand etc.

- **Example – 1:** A company wants to prepare its Production Budget. It manufactures three product M, N and Z. The sales budget for 2013 of the company shows the sales of 25,000, 20,000 and 30,000 units respectively of the three products. The details of their opening and closing stock are as follows:

Product	Opening Stock	Closing Stock
M	4,800 units	6,000 units
N	3,200 units	2,600 units
Z	6,400 units	9,800 units

From the above information, prepare Production Budget for the year 2013.

- **Solution:**

Production Budget for the year 2013

Particulars	Products		
	M	N	Z
Estimated Sales Units	25,000	20,000	30,000
Add: Closing Stock	6,000	2,600	9,800
	31,000	22,600	39,800
Less: Opening Stock	4,800	3,200	6,400
Required Production (in units)	**26,200**	**19,400**	**33,400**

- **Example – 2:** A company wants to prepare its Material Requirements Budget on the basis of its Production Budget. There are four departments in the company. The details of consumption of raw materials in each department are as under:

  Raw material X and Y are used in department 1.

  Raw material M and N are used in department 2.

  Raw material A is used in department 3.

  Raw material B is used in department 4.

  The consumption of each type of materials is as follows:

(1) 2 units of Y and 3 units of A and B each are used in product O.

(2) 3 units of X and 2 units of each M, N and B are used in product P.

(3) 2 units of X, 3 units of M and 2 units of B are used in product Q.

The standard price of each of them is as follows:

X : 80 paise; Y : 20 paise; M : 50 paise

N : 40 paise; A : 60 paise; B : 90 paise

The production budget shows the production of all the three products at 40,000 units, 48,000 units and 60,000 units respectively.

From the above information, prepare Raw Material Budget for year 2013.

- **Solution:**

Material Requirement Budget for the year 2013

Product	Units Required	Raw Materials					
		X	Y	M	N	A	B
O (40,000)	2	--	80,000	--	--	--	--
	3	--	--	--	--	1,20,000	1,20,000
P (48,000)	2	--	--	96,000	96,000	--	96,000
	3	1,44,000	--	--	--	--	--
Q (60,000)	2	1,20,000	--	--	--	--	1,20,000
	3	--	--	1,80,000	--	--	--
Required Raw Materials		2,64,000	80,000	2,76,000	96,000	1,20,000	3,36,000
× Price per unit		0.80	0.20	0.50	0.40	0.60	0.90
Material Required (In ₹)		**2,11,200**	**16,000**	**1,38,000**	**38,400**	**72,000**	**3,02,400**

- **Example – 3:** On the basis of raw material budget prepared in the previous example no. 2, the company wants to prepare its Purchase Budget for the year 2013. The following estimates are given for the opening stock of raw materials and raw material stock requirements at the end of the year.

	X	Y	M	N	A	B
Opening Stock	40,000	15,000	55,000	6,000	30,000	60,000
Closing Stock	45,000	20,000	60,000	10,000	35,000	70,000

- **Solution:**

Material Purchase Budget for the year 2013

Particulars	Raw Materials					
	X	Y	M	N	A	B
Required Raw Materials	2,64,000	80,000	2,76,000	96,000	1,20,000	3,36,000
Add: Closing Stock	45,000	20,000	60,000	10,000	35,000	70,000
	3,09,000	1,00,000	3,36,000	1,06,000	1,55,000	4,06,000
Less: Opening Stock	(40,000)	(15,000)	(55,000)	(6,000)	(30,000)	(60,000)
Purchase of Materials	2,69,000	85,000	2,81,000	1,00,000	1,25,000	3,46,000
× Price per unit	0.80	0.20	0.50	0.40	0.60	0.90
Material Purchase (In ₹)	**2,15,200**	**17,000**	**1,40,500**	**40,000**	**75,000**	**3,11,400**

Total Purchase = 2,15,200 + 17,000 + 1,40,500 + 40,000 + 75,000 + 3,11,400

= **₹ 7,99,100**

₹ 17,250 Units Rs.3,79,500 = Total cost

9. A factory manufactures two products M and N by using two types of raw materials in the proportion shown below :

Product M : Raw Material X : 60%, Y 40%

Product N : Raw Material A : 75%, B 25%

The finished weight of products M and N are equal to the weight of their ingredients.

During August, 2012, it is expected that 1,000 kgs of product M and 5,000 kgs. of product N will be sold.

Actual and budgeted inventories for the month of August are as follows :

		Actual (1-8-2012)	**Budgeted (31-8-2012)**
Raw Material :	X	200	160
	Y	100	80
	A	1,000	950
	B	500	550
Product :	M	120	100
	N	1,000	1,200

The purchase price of materials for August is expected to remain as follows :

X : Rs. 60 per kg. Y : Rs. 50 per kg.

A : Rs. 25 per kg. B : Rs. 45 per kg.

All materials will be purchased on 10-8-2008. From the above information, prepare :

(1) Production Budget for August, 2012.

(2) Material Requirement Budget for August, 2012.

(3) Material Purchase Budget for August, 2012.

[Ans. : Production Budget

- **Solution:**

Production Budget for August, 2012

Particulars	Products	
	M	N
Estimated Sales Units	1,000	5,000
Add: Closing Stock	100	1,200
	1,100	6,200
Less: Opening Stock	(120)	(1,000)
Required Production (in units)	**980**	**5,200**

Material Requirement Budget for August, 2012

Product	Proportion	Raw Materials			
		X	Y	A	B
M (980 units)	60 %	588	--	--	--
	40 %	--	392	--	--
N (5,200 units)	75 %	--	--	3,900	--
	25 %	--	--	--	1,300
Required Raw Materials		588	392	3,900	1,300
× Price per unit		60	50	25	45
Material Required (In ₹)		**35,280**	**19,600**	**97,500**	**58,500**

Material Purchase Budget for August, 2012

Particulars	Raw Materials			
	X	Y	A	B
Required Raw Materials	588	392	3,900	1,300
Add: Closing Stock	160	80	950	550
	748	472	4,850	1,850
Less: Opening Stock	(200)	(100)	(1,000)	(500)
Purchase of Materials	548	372	3,850	1,350
× Price per unit	60	50	25	45
Material Purchase (In ₹)	**32,880**	**18,600**	**96,250**	**60,750**

Total Purchase of Raw Materials = 32,880 + 18,600 + 96,250 + 60,750

= **₹ 2,08,480**

17. Santram Chemicals Company Ltd. manufactures products A B and CD by mixing the following raw materials in proportion shown as under :

Raw Materials	Product AB	Product CD
A	80%	–
B	20%	–
C	–	50%
D	–	50%

The finished weight of product AB and CD are equal to weight of their ingredients.

During the month of June, it is expected that 60 tons of product B and 200 tons of product CD will be sold.

Actual and budgeted inventories for the month of June are as follows :

	Actual Inventory (1st June) Quantity (tons)	Budgeted Inventory (30th June) Quantity (tons)
Materials		
A	15	20
B	10	40
C	200	300
D	250	200
Product		
AB	10	5
CD	50	60

The purchase price of materials for June is expected to be as follows :

Material	Cost per ton (Rs.)
A	500
B	400
C	100
D	200

All materials will be purchased on 3rd June.

Prepare :

(1) The Production Budget for the month of June.

(2) The Material Requirement Budget for the month of June.

(3) The Material Purchase Budget including the expenditure for materials for the month of June.

- **Solution:**

Production Budget for the month of June

Particulars	Products	
	AB	CD
Estimated Sales Units	60	200
Add: Closing Stock	5	60
	65	260
Less: Opening Stock	(10)	(50)
Required Production (in units)	**55**	**210**

Material Requirement Budget for the month of June

Product	Proportion	Raw Materials			
		A	B	C	D
AB (55 tons)	80 %	44	--	--	--
	20 %	--	11	--	--
CD (210 tons)	50 %	--	--	105	--
	50 %	--	--	--	105
Required Raw Materials		44	11	105	105
× Price per unit		500	400	100	200
Material Required (In ₹)		**22,000**	**4,400**	**10,500**	**21,000**

Material Purchase Budget for the month of June

Particulars	Raw Materials			
	A	B	C	D
Required Raw Materials	44	11	105	105
Add: Closing Stock	20	40	300	200
	64	51	405	305
Less: Opening Stock	(15)	(10)	(200)	(250)
Purchase of Materials	49	41	205	55
× Price per unit	500	400	100	200
Purchase of Material (In ₹)	**24,500**	**16,400**	**20,500**	**11,000**

Total Purchase of Raw Materials = 24,500 + 16,400 + 20,500 + 11,000

= **₹ 72,400**

Rs. 8,95,000. Z purchased ...

14. A B C Ltd. uses four types of raw material A, B, C and D for manufacturing three products X, Y and Z. Production is carried out in four departments. The following information is furnished.

Details of Pre-determined Product Cost

Material	Department	Material (Per Unit) Cost Rs.	Product Units X	Y	Z
A	1	1.50	–	2	1
B	2	1.80	1	2	–
C	3	1.00	2	–	1
D	4	0.50	2	–	2
Generally rejected at final inspection			10%	8%	5%

Budgeted Data :

	X	Y	Z
(1) Sales :			
Sales during the year Rs.	6,00,000	10,00,000	9,60,000
Selling price per unit Rs.	12	25	16
(2) Finished Goods stock (units) :			
In the beginning	3,000	4,800	9,000
At the end	16,000	20,000	25,000

(3) **Raw Material Stock (units) :**

	A	B	C	D
In beginning of the year	30,000	20,000	30,000	40,000
At the close of the year	50,000	60,000	40,000	30,000

Prepare for year 2001 :

(i) Production Budget.

(ii) Production Cost Budget for Direct Material of various departments for year.

(iii) Purchase Budget.

- **Solution:** **Production Budget for the year 2001**

Particulars	Products		
	X	Y	Z
Estimated Sales Units	50,000	40,000	60,000
Add: Closing Stock	16,000	20,000	25,000
	66,000	60,000	85,000
Less: Opening Stock	(3,000)	(4,800)	(9,000)
Required Production (in units)	**63,000**	**55,200**	**76,000**

Working Notes: (1) Estimated Sales Units $= \frac{Total\ Sales\ in\ ₹}{Selling\ price\ per\ unit}$

X $= \frac{6,00,000}{12}$ = 50,000 units

Y $= \frac{10,00,000}{25}$ = 40,000 units

Z $= \frac{9,60,000}{16}$ = 60,000 units

- Due to wastage we need to manufacturing more units of products.
- Here, percentage of wastage are given for all products.
- Suppose, we produced 100 units of X, then 10 units are wastage and only 90 units are available.
- So, if we want 63,000 units of X then we need to manufacture 70,000 units $(63{,}000 \times \frac{100}{90})$ of X.
- Same for Product Y = $55{,}200 \times \frac{100}{92}$ = 60,000 units
- And for Product Z = $76{,}000 \times \frac{100}{95}$ = 80,000 units
- So, actual production of X = 70,000 units ; Y = 60,000 units and Z = 80,000 units.

Material Requirement Budget for the year 2001

Product	Units Required	Raw Materials			
		A	B	C	D
X (70,000)	**1**	--	70,000	--	--
	2	--	--	1,40,000	1,40,000
Y (60,000)	**2**	1,20,000	1,20,000	--	--
Z (80,000)	**1**	80,000	--	80,000	--
	2	--	--	--	1,60,000
Required Raw Materials		2,00,000	1,90,000	2,20,000	3,00,000
× Price per unit		1.50	1.80	1.00	0.50
Material Required (In ₹)		**3,00,000**	**3,42,000**	**2,20,000**	**1,50,000**

Material Purchase Budget for the year 2001

Particulars	Raw Materials			
	A	B	C	D
Required Raw Materials	2,00,000	1,90,000	2,20,000	3,00,000
Add: Closing Stock	50,000	60,000	40,000	30,000
	2,50,000	2,50,000	2,60,000	3,30,000
Less: Opening Stock	(30,000)	(20,000)	(30,000)	(40,000)
Purchase of Materials	2,20,000	2,30,000	2,30,000	2,90,000
× Price per unit	1.50	1.80	1.00	0.50
Purchase of Material (In ₹)	3,30,000	4,14,000	2,30,000	1,45,000

Total Purchase of Raw Materials = 3,30,000 + 4,14,000 + 2,30,000 + 1,45,000

= **₹ 11,19,000**

Sales Budget

- Generally, all other budgets of a company are based on its sales budget. The management faces tremendous difficulties in preparing sales budget. It is required to forecast the volume of sales and level of price during the budget period. This forecast is based on a careful consideration of such factors as the nature of product, method of distribution, size of business unit and degree of competition in the market etc. Generally following procedures are used to arrive at definite forecasts of sales and price
  - Collection of Data
  - To fix the final figure of future sales
  - Regional Allocation of Sales
  - Responsibility of sales Manager
  - Period of sales budget

5. A Company manufacturers two products A and B. It has three shops in Ahmedabad selling these products. The sales manager of the company has given following estimates for the year 2012.

	Shop No. 1	Shop No. 2	Shop No. 3
Product A (Units)	50,000	70,000	25,000
Product B (Units)	60,000	90,000	15,000

The selling price of A is Rs. 80 per unit and selling price of B is Rs. 60. It is estimated by the sales manager that sales of B in Shop No.1. can be increased by 20,000 units by substantial increase in advertisement and the sale of B in Shop No. 3 can be increased by 10,000 units by making necessary adjustments in the administration of Production and Sales office. In respect of both products, the sale of Shop No. 2 is not satisfactory and increase of 20% is required.

Prepare Sales Budget for the year 2012.

- **Solution:**

Sales Budget for the year 2012

Shop No.	Product A (Sales Price ₹ 80)		Product B (Sales Price ₹ 60)		Total Sales
	Units	₹	Units	₹	₹
1	50,000	40,00,000	80,000	48,00,000	88,00,000
2	84,000	67,20,000	1,08,000	64,80,000	1,32,00,000
3	25,000	20,00,000	25,000	15,00,000	35,00,000
Total	1,59,000	1,27,20,000	2,13,000	1,27,80,000	**2,55,00,000**

Working Notes:

(1) The sales of B in shop no. 1 can be increased by 20,000 units, so new sales unit of B in shop no. 1 is 80,000 units (60,000 + 20,000).

(2) In respect of both products, the sale of shop no. 2 is increased by 20%. So, Sales of Product A is 84,000 units (70,000 + 20%) and of Product B is 1,08,000 units (90,000 + 20%).

(3) The sales of B in shop no. 3 can be increased by 10,000 units. So, the new sales is 25,000 units (15,000 + 10,000).

- **Example – 8:** Atul Engineering Co. Ltd. operates three sales divisions, selling there branded products X, Y and Z.

Prepare Sales budget for the next budget period of 2013. For this purpose, the following information has been made available.

The budget figures for the current period are as follows:

	Division 1	Division 2	Division 3
Product X (Units)	16,000	24,000	24,000
Product Y (Units)	10,000	25,000	12,000
Product Z (Units)	8,000	40,000	15,000

Selling price of Product X per unit is ₹ 12, that of Y is ₹ 20 and of Z ₹ 25.

The figures of actual sales for the current year 2012 are given below:

	Division 1	Division 2	Division 3
Product X (Units)	15,000	25,000	22,000
Product Y (Units)	8,000	30,000	15,000
Product Z (Units)	5,000	32,000	15,000

There is no change in selling price. The following information is available as a result of consultations of the Budget Committee.

(1) Product X is selling at a higher rate than expected. Market surveys have revealed that it is popular and possibly under - priced. It is anticipated that even if the price was increased by ₹ 2 per unit, the product would find a ready market.

(2) Product Z is not selling at the expected rate. Market surveys have revealed that customers feel it to be over – priced and market can absorb more, if the price is reduced by ₹ 3 per unit.

The management has agreed to make price changes. The divisional sales managers have prepared following estimates.

Increase or Decrease in previous budget (in percentage)

	Division 1	**Division 2**	**Division 3**
Product X (Units)	+ 20	+ 40	+ 25
Product Y (Units)	– 15	+ 30	– 10
Product Z (Units)	+ 15	+ 20	+ 15

Besides it is decided to increase advertisement for the product Y and as a result the sales of product Y is likely to rise as follows:

Division 1 : 12 % Increase

Division 2 : 8 % Increase

Division 3 : 25 % Increase

You are required to prepare Sales Budget for the year 2013 and give the Budgeted sales and Actual Sales for the current period:

- **Solution:**

Sales Budget for the year 2013

		Budget for Current Year 2012			Actual for Current Year 2012			Budget for the Year 2013		
Division	**Product**	**Qty.**	**Price**	**₹**	**Qty.**	**Price**	**₹**	**Qty.**	**Price**	**₹**
1	X	16,000	12	192000	15,000	12	180000	19,200	14	268800
	Y	10,000	20	200000	8,000	20	160000	9,520	20	190400
	Z	8,000	25	200000	5,000	25	125000	9,200	22	202400
	Total	34,000	--	592000	28,000	--	465000	37,920	--	661600
2	X	24,000	12	288000	25,000	12	300000	33,600	14	470400
	Y	25,000	20	500000	30,000	20	600000	35,100	20	702000
	Z	40,000	25	1000000	32,000	25	800000	48,000	22	1056000
	Total	89,000	--	1788000	87,000	--	1700000	1,16,700	--	2228400
3	X	24,000	12	288000	22,000	12	264000	30,000	14	420000
	Y	12,000	20	240000	15,000	20	300000	13,500	20	270000
	Z	15,000	25	375000	15,000	25	375000	17,250	22	379500
	Total	51,000	--	903000	52,000	--	939000	60,750	--	1069500
Total	X	64,000	12	768000	62,000	12	744000	82,800	14	1159200
	Y	47,000	20	940000	53,000	20	1060000	58,120	20	1162400
	Z	63,000	25	1575000	52,000	25	1300000	74,450	22	1637900
	Total	**174,000**	**--**	**3283000**	**167,000**	**--**	**3104000**	**215,370**	**--**	**3959500**

Working Notes:

(1) The selling price of X has been increased from ₹ 12 to ₹ 14 per unit for the next budget period, while the selling price of Z is shown at reduced figure of ₹ 22 per unit in place of ₹ 25.

(2) **Increase or Decrease in units for budget of 2013 from previous budget:**

	Product X	**Product Y**	**Product Z**
Division 1	19,200	9,520	9,200
	(16,000 + 20%)	(10,000 – 15% + 12%)	(8,000 + 15%)
Division 2	33,600	35,100	48,000
	(24,000 + 40%)	(25,000 + 30% + 8%)	(40,000 + 20%)
Division 3	30,000	13,500	17,250
	(24,000 + 25%)	(12,000 – 10% + 25%)	(15,000 + 15%)

6. The estimated figures of the selling expenses of Vimal Limited for the year ending 31st March, 2013 are given below :

	Rs.
Sales Office Salaries	44,000
Fixed Expenses of Sales Office	32,000
Advertisement (Fixed)	55,000
Travelling Salesmen's remuneration (Fixed)	1,50,000

In addition, the travelling salesmen are paid 1% commission on sales effected by them.

Carriage outward is paid at 4% of the sales and other agent's commission is paid at 5% on the sales.

You are required to prepare a Selling Overhead Budget for the following level of Sales :

(1) Total Sales of Rs.40 Lacs (Including agent's sales of Rs.5 lacs)

(2) Total Sales of Rs.50 lacs (Including agent's sales of Rs. 8 lacs)

(3) Total Sales of Rs.60 lacs (Including agent's sales of Rs.9 lacs)

- **Solution:**

Selling Overheads Budget
for the year ended 31st March, 2013

Particulars	₹	₹	₹
Estimated Total Sales	40,00,000	50,00,000	60,00,000
Fixed Overheads:			
Sales office Salaries	44,000	44,000	44,000
Fixed Expenses of sales office	32,000	32,000	32,000
Advertisement (Fixed)	55,000	55,000	55,000
Travelling Salesmen's Remuneration	1,50,000	1,50,000	1,50,000
Total (A)	2,81,000	2,81,000	2,81,000
Variable Overheads:			
Travelling Salesmen's Commission (1%)	35,000	42,000	51,000
Carriage Outward (4% of sales)	1,60,000	2,00,000	2,40,000
Agent's Commission (5% of sales by them)	25,000	40,000	45,000
Total (B)	2,20,000	2,82,000	3,36,000
Total Selling Overheads (A + B)	**5,01,000**	**5,63,000**	**6,17,000**

7. The data regarding selling expenses of Rajnagar Co. Ltd. for the yea 2012 are as below :

Particulars	Surat Rs.	Rajkot Rs.	Navsari Rs.	Tota Rs.
Salaries	3,500	4,000	2,500	10,000
Advertising	2,000	2,500	1,000	5,500
Warehouse Salary	7,000	8,000	6,000	21,000
Warehouse expenses	4,000	5,000	3,000	12,000
Rent and Rates	1,000	2,000	1,200	4,200
Commission on sales	8,000	6,000	7,000	21,000
Selling expenses	6,000	8,000	4,000	18,000
Total	31,500	35,500	24,700	91,700

During year 2013 budget period, the following changes are to be allowed :

(1) Commission in each area is to be increased by 4%.

(2) Warehouse salary in case of Surat and Navsari will increase by 5%.

(3) Total salaries will increase by Rs. 300, Rs. 400 and Rs. 200 in all three areas respectively.

(4) Rent will increase by 10%.

(5) In Navsari area advertisement expnses will increase by 10%.

You are required to prepare the Selling Expenses Budget for the year 2013.

- **Solution:**

Selling Overheads Budget

for the year 2013

Particulars	Surat (₹)	Rajkot (₹)	Navsari (₹)	Total (₹)
Salaries (Adj. No. 3)	3,800	4,400	2,700	10,900
Advertising (Adj. No. 5)	2,000	2,500	1,100	5,600
Warehouse Salary (Adj. 2)	7,350	8,000	6,300	21,650
Warehouse Expenses	4,000	5,000	3,000	12,000
Rent and Rates (Adj. No. 4)	1,100	2,200	1,320	4,620
Commission on sales (Adj.1)	8,320	6,240	7,280	21,840
Selling Expenses	6,000	8,000	4,000	18,000
Total Selling Overheads	**32,570**	**36,340**	**25,700**	**94,610**

20 The data regarding selling expenses of a company for the year 2008 are as under :

Particulars	Ahmedabad Rs.	Vadodara Rs.	Surat Rs.	Total Rs.
Salesmen's Salary	2,200	2,600	1,800	6,600
Rent and rates	1,000	1,200	1,000	3,200
Advertisement	1,500	2,000	1,500	5,000
Warehouse expenses	4,000	4,500	3,500	12,000
Commission on sale	4,000	3,000	4,000	11,000
Selling expenses	3,000	3,500	2,500	9,000

During the year 2009 budget period, the following changes are to be considered :

(1) Sales Commission is to be increased by 5%.

(2) Rent will increase by 10%

(3) In Ahmedabad and Surat advertisement expenses will increase by 20%

(4) Salesmen's total salary will increase by Rs. 2,400, which would be increased in all three cities in proportion of 2 : 1 : 3 respectively.

Prepare the Selling Expenses Budget for the year 2009.

[Guj. Uni., T.Y., April, 2010]

- **Solution:**

Selling Overheads Budget

for the year 2009

Particulars	Ahmedabad (₹)	Vadodara (₹)	Surat (₹)	Total (₹)
Salesmen's Salary (Adj. 4)	3,000	3,000	3,000	9,000
Rent and Rates (Adj. 2)	1,100	1,320	1,100	3,520
Advertisement (Adj. 3)	1,800	2,000	1,800	5,600
Warehouse Expenses	4,000	4,500	3,500	12,000
Commission on Sales (Adj.1)	4,200	3,150	4,200	11,550
Selling Expenses	3,000	3,500	2,500	9,000
Total Selling Overheads	**17,100**	**17,470**	**16,100**	**50,670**