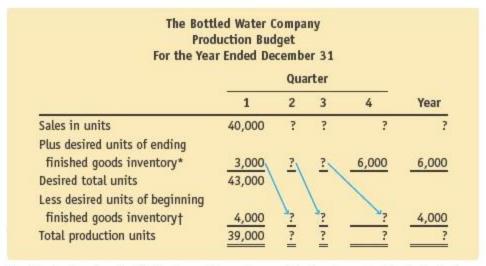
Calculate The Bottled Water Company's net income for the new product in the coming year by completing the operating budgets and budgeted income statement that follow.

#### 1. Sales budget:

1	The Bottled Water Company Sales Budget For the Year Ended December 31 Quarter				
	1	2	3	4	Year
Sales in units	40,000	30,000	50,000	55,000	175,000
× Selling price per unit Total sales	× \$1 \$40,000	× ?	× ?	× ?	× ?

#### 2. Production budget:



<sup>\*</sup>Desired units of ending finished goods inventory = 10% of next quarter's budgeted sales. †Desired units of beginning finished goods inventory = 10% of current quarter's budgeted sales.

# 3. Direct materials purchases budget:

For th	he Year Ended December 31 Quarter									
	1		2		3		4		Year	
Total production units	39,000		32,0	32,000		50,500		55,500		?
× 20 ounces per unit	×	20	×		×	?	×	?	×	?
Total production needs in ounces	780	0,000		?	3411	?		?	18	?
Plus desired ounces of ending direct materials inventory*	128	3,000	_	?	_	3	240,	- A)	240,	ē
Less desired ounces of beginning direct materials inventory†	156	5,000	/	3	/	3	/	?	156,	000
Total ounces of direct materials to be purchased	752	2,000		?		?		?	b	?
× Cost per ounce	×	\$.01	×	?	×	?	×	?	×	?
Total cost of direct materials purchases	\$ 7	,520		?	37	?		?	137	?

 $<sup>^{*}</sup>$  Desired ounces of ending direct materials inventory = 20% of next quarter's budgeted production needs in ounces.

### 4. Direct labor budget:

	ect Labor B ear Ended D		31		
		Quar	ter		
	1	2	3	4	Year
Total production units	39,000	?	?	?	?
× Direct labor hours per unit	× .001	× ?	× ?	× ?	× ?
Total direct labor hours	39	?	?	?	?
× Direct labor cost per hour	× \$8	× ?	× ?	× ?	× ?
Total direct labor cost	\$312	?	?	?	?

 $<sup>\</sup>dagger$ Desired ounces of beginning direct materials inventory = 20% of current quarter's budgeted production needs in ounces.

# 5. Overhead budget:

The Bottled Water Company Overhead Budget For the Year Ended December 31					
	1	2	3	4	Year
Variable overhead costs					
Factory supplies (\$.01)	\$ 390	?	?	?	?
Employee benefits (\$.05)	1,950	?	?	?	?
Inspection (\$.01)	390	?	?	?	?
Maintenance and repair (\$.02)	780	?	?	?	?
Utilities (\$.01)	390	?	?	?	?
Total variable overhead costs	\$3,900	?	?	?	?
Total fixed overhead costs	1,500	?	?	?	?
Total overhead costs	\$5,400	?	?	?	?

Note: The figures in parentheses are variable costs per unit.

# 6. Selling and administrative expense budget:

	Quarter						
		1	2	3	4	Year	
Variable selling and administrative expenses							
Delivery expenses (\$.01)	\$	400	?	?	?	?	
Sales commissions (\$.02)		800	?	?	?	?	
Accounting (\$.01)		400	?	?	?	?	
Other administrative expenses (\$.01) Total variable selling and	-	400	?	?	?	?	
administrative expenses	\$2	,000	?	?	?	?	
Total fixed selling and							
administrative expenses	5	,000	?	?	?	?	
Total selling and administrative expenses	\$7	,000	?	?	?	?	

Note: The figures in parentheses are variable costs per unit.

# 7. Cost of goods manufactured budget:

The Bottled Water Company Cost of Goods Manufactured Budget For the Year Ended December 31	
Direct materials used	
Direct materials inventory, beginning	?
Purchases	?
Cost of direct materials available for use	?
Less direct materials inventory, ending	
Cost of direct materials used	?
Direct labor costs	?
Overhead costs	?
Total manufacturing costs	?
Work in process inventory, beginning*	0
Less work in process inventory, ending*	0
Cost of goods manufactured	?
Manufactured Cost per Unit = Cost of Goods  Manufactured ÷ Units Produced	<u>0</u> ?

<sup>\*</sup>It is the company's policy to have no units in process at the end of the year.

### 8. Budgeted income statement:

The Bottled Water Company Budgeted Income Statement For the Year Ended December 3	1		
Sales		?	
Cost of goods sold	_		
Finished goods inventory, beginning	?		
Cost of goods manufactured	?		
Cost of finished goods available for sale	?		
Less finished goods inventory, ending	?		
Cost of goods sold	_	?	
Gross margin		?	
Selling and administrative expenses		?	
Income from operations		? ?	
Income taxes expense (30%)*			
Net income		?	

<sup>\*</sup>The figure in parentheses is the company's income tax rate.