

Midwest Products is a wholesale distributor of leaf rakes. Thus, peak sales occur in August of each year as shown in the company's sales budget for the third quarter, given below:

|                                 | July      | August     | September  | Total       |
|---------------------------------|-----------|------------|------------|-------------|
| Budgeted sales (all on account) | \$579,000 | \$ 865,000 | \$ 479,000 | \$1,923,000 |

From past experience, the company has learned that 30% of a month's sales are collected in the month of sale, another 65% are collected in the month following sale, and the remaining 5% are collected in the second month following sale. Bad debts are negligible and can be ignored. May sales totaled \$431,000, and June sales totaled \$511,000.

**Required:**

1. Prepare a schedule of expected cash collections from sales, by month and in total, for the third quarter. (Do not round intermediate calculations.)

|                               | July | August | September | Total |
|-------------------------------|------|--------|-----------|-------|
| May sales                     |      |        |           |       |
| June sales                    |      |        |           |       |
| July sales                    |      |        |           |       |
| August sales                  |      |        |           |       |
| September sales               |      |        |           |       |
| <b>Total cash collections</b> |      |        |           |       |

2. Assume that the company will prepare a budgeted balance sheet as of September 30. Compute the accounts receivable as of that date. (Do not round intermediate calculations.)

|                                  |  |
|----------------------------------|--|
|                                  |  |
| August sales                     |  |
| September sales                  |  |
| <b>Total accounts receivable</b> |  |