MBA 6100 – Summer 2016 Block 2
Case Study #2

Rolling Green Golf Course is member-owned golf club and contemplating expanding its golf course in the upcoming year. Rolling Green operates on a fiscal year with a year ending date of June 30th. You have been hired to evaluate their budgeted information for the fiscal year ending June 30, 2016 to see if their expansion plan is reasonable.

Expansion plans for the fiscal year ending June 30, 2016 include new golf carts of $25,000 and additional land purchase of $500,000.

The following cash basis income statement has been prepared for your use. This income statement contains only the receipts and disbursements where cash was received or paid. This statement does not include any non-cash expenses such as depreciation.

Rolling Green Golf Course
Income Statement (Cash Basis)
For the Fiscal Years Ended June 30,

	2015	2014
Revenue		
Membership fees	$ 700,000	$ 650,000
Lessons	475,000	425,000
Miscellaneous	5,000	4,000
Total revenue	$ 1,180,000	$ 1,079,000
Expenses		
Wages - golf pro	$ 375,000	$ 325,000
Wages - club staff	350,000	300,000
Salaries - management	75,000	75,000
Mortgage interest	65,400	69,600
Utilities	35,000	30,000
Supplies	27,000	26,000
Miscellaneous	4,000	3,000
Total expenses	931,400	828,600
Net income	$ 248,600	$ 250,400

The following information is also provided for your use:

(1) Account balance as of June 30, 2015 include:
   a. Cash in the bank of $12,500
   b. Petty cash on hand of $500
   c. Outstanding mortgage balance of $1,020,000
   d. Accounts payable for supplies and utilities of $6,000 which will be paid in July 2015
(2) Some additional golf carts were purchased in June 2015 for $35,000. Of this, $10,000 was paid when the carts were delivered in June 2015. The balance owed of $25,000 will be paid in August 2015. This purchase does not affect the planned golf cart purchases for the upcoming fiscal year.
(3) The club purchased additional property to expand it course on June 1, 2011. The value of property at the time of purchase was $1,500,000. A down payment of $200,000 was made on this property at the

time of purchase. A mortgage was taken for the remainder. Rolling Green pays $70,000 principal plus 6% interest annually on the previously unpaid loan balance each June 1st, beginning June 1, 2012.

(4) The following increases are expected for the fiscal year ending June 30, 2016:
   a. Membership is expected to increase by 1%.
   b. Membership fees are expected to increase by 5%.
   c. Golf lesson fees are expected to increase the same amount for fiscal year ending June 30, 2016 as they did for fiscal year ended June 30, 2015.
   d. Miscellaneous revenues are expected to increase the same amount for fiscal year ending June 30, 2016 as they did for fiscal year ended June 30, 2015.
   e. Golf pro wages will increase to $500,000. The golf pro teaches all golf lessons.
   f. Club staff wages will increase by 15% over the prior fiscal year.
   g. Management salaries will increase by 20% over the prior fiscal year.
   h. Utilities, Supplies, and Miscellaneous expenses will increase by 20% over the prior fiscal year.

Requirements:

(1) Prepare a cash basis budgeted income statement for the fiscal year ending June 30, 2016 (use the statement included above for a format example).
(2) Prepare a cash budget for the fiscal year ending June 30, 2016. Your cash budget should be set up as follows:

Cash Receipts	
Total cash receipts	$ -
Less: cash disbursements	
Total cash disbursements	$ -
Change in cash balance during the year	$ -
Cash balance, 7/1/2015	
Cash balance, 6/30/2016	$ -

(3) Prepare a memo to the golf club membership detailing if you believe the expansion is a reasonable goal based on the cash budget you have prepared. Be sure to provide specific information to support your conclusion.