

MBA 6100  
Spring 2015 Block 1  
Case Study #2

Regal Company is trying to determine their cash needs for the first quarter of 2015. The following information is available:

- All sales are on account. 37% of customer accounts are collected in the months of sale; 60% are collected in the month following the sale. Uncollectibles amounting to 3% of sales are anticipated, and management believes that only 12% of the accounts outstanding on December 31, 2014, will be recovered and that the recovery will be in January 2015.
- 55% of the merchandise purchases are paid for in the month of purchase; the remaining 45% are paid for in the month after acquisition.
- The December 31, 2015 balance sheet disclosed the following selected figures: cash \$20,000, accounts receivable \$40,000, and accounts payable \$22,000.
- Regal Company maintains a \$20,000 minimum cash balance at all times. Financing is available (and retired) in \$1,000 multiples at a 6% per year interest rate, with borrowings taking place at the beginning of the month and repayments occurring at the end of the month. Interest is paid at the time of repaying principal and computed on the portion of principal repaid at that time.
- Additional data:

	<u>January</u>	<u>February</u>	<u>March</u>
Sales revenue	\$ 140,000	\$ 135,000	\$ 160,000
Merchandise purchases	95,000	93,000	102,000
Cash operating costs	24,000	20,000	35,000
Proceeds from sale of equipment			6,500

Required:

1. Prepare a schedule of total cash collections for January through March.
2. Prepare a schedule of total cash disbursements for January through March.
3. Prepare a cash budget for January through March.