**APPLICATION EXERCISE 21 – SUGGESTED SOLUTION**

1. **Prepare the Budgeted Income Statement for the year ending 30 June 2020.**

**Westy’s Wallets**

**Budgeted Income Statement for the year ending 30 June 2020**

|  |  |  |
| --- | --- | --- |
|  | **$** | **$** |
| **Revenues** |  |  |
| Sales | 300 000 |  |
| Less: Sales Returns | 6 000 | 294 000 |
| **Less: Cost of Goods Sold** |  |  |
| Cost of Sales |  | 147 000 |
| **Gross Profit** |  | 147 000 |
| Less: Inventory Loss |  | 2 000 |
| **Adjusted Gross Profit** |  | 145 000 |
| **Add: Other Revenues** |  |  |
| Discount Revenue |  | 7 500 |
|  |  | 152 500 |
| **Less: Other Expenses** |  |  |
| Advertising | 10 000 |  |
| Bad Debts | 4 410 |  |
| Depreciation - Equipment | 3 750 |  |
| Discount Expense | 2 500 |  |
| General Expenses | 15 000 |  |
| Interest Expense | 4 000 |  |
| Rent Expense | 48 000 |  |
| Wages  | 36 000 | 123 660 |
| **Net Profit / (Loss)** |  | 28 840 |

1. **Prepare the Budgeted Cash Flow Statement for the year ending 30 June 2020.**

**Charlotte’s Chairs**

**Budgeted Cash Flow Statement for the year ending 30 June 2020**

|  |  |  |
| --- | --- | --- |
|  | **$** | **$** |
| **Cash Flow from Operating Activities** |  |  |
| Receipts from Accounts Receivable | 293 400 |  |
| Payments to Accounts Payable | (161 700) |  |
| Advertising | (8 500) |  |
| Interest | (4 000) |  |
| General Expenses | (15 000) |  |
| Prepaid Rent Expense | (52 000) |  |
| Wages | (34 500) |  |
| GST Paid | (10 050) |  |
| GST Settlements | (1 620) |  |
| **Net Cash Flows from Operations** |  | 6 030 |
| **Cash Flows from Investing Activities** |  |  |
| Purchase of Equipment | (25 000) |  |
| **Net Cash Flows from Investing Activities** |  | (25 000) |
| **Cash Flows from Financing Activities** |  |  |
| Capital | 40 000 |  |
| Loan Borrowings – MNC Bank | 30 000 |  |
| Drawings | (24 500) |  |
| Loan Repayments – MCN Bank | (12 000) |  |
| **Net Cash Flows from Financing Activities** |  | 33 500 |
| **Net Increase / (Decrease) in Cash Position** |  | 14 530 |
| **Bank Balance at 1 July 2019** |  | 0 |
| **Bank Balance at 30 June 2020** |  | 14 530 |