

## Operating budget

### تمارين محلولة / الموازنات التشغيلية

المجموعة الاولى: الصح والخطأ مع تصحيح العبارة الخاطئة:

**Q1/** Budgets can play both planning and control roles for management.

**Answer: True**

**Q2/** Budgeting includes only the financial aspects of the plan and not any nonfinancial aspects such as the number of physical units manufactured.

**Answer: False**

**Explanation:** Budgeting includes both financial and nonfinancial aspects of the plan.

**Q3/** Operating decisions deal with how to best use the limited resources of an organization.

**Answer: True**

**Q4/** The revenue budget and the budgeted income statement are used to prepare the budgeted balance sheet and the budgeted statement of cash flows.

**Answer: False**

**Explanation:** The cash budget and the budgeted income statement are necessary to prepare the budgeted balance sheet and budgeted statement of cash flows.

**Q5/** The usual starting point in budgeting is to forecast net income.

**Answer: False**

**Explanation:** The usual starting point in budgeting is to forecast sales demand and revenues.

**Q6/** The manufacturing labor budget depends on wage rates, production methods, and hiring plans.

**Answer: True**

**Q7/** It is best to compare this year's performance with last year's actual performance rather than this year's budget.

**Answer: False**

**Explanation:** It is best to compare this year's performance with this year's budget because inefficiencies and different conditions may be reflected in last year's actual performance amounts.

**Q8/** The manufacturing labor budget depends on wage rates, production methods, and hiring plans.

**Answer: True**

**Q9/** The revenues budget should be based on the production budget.

**Answer: False**

**Explanation:** The production budget should be based on the revenues budget.

المجموعة الثانية: خيارات متعددة:

**Q1/**

Budgeting is used to help companies:

- A) plan to better satisfy customers
- B) anticipate potential problems
- C) focus on opportunities
- D) All of these answers are correct.

Answer: D

**Q2/**

A master budget:

- A) includes only financial aspects of a plan and excludes nonfinancial aspects
- B) is an aid to coordinating what needs to be done to implement a plan
- C) includes broad expectations and visionary results
- D) should not be altered after it has been agreed upon

Answer: B

**Q3/**

A limitation of comparing a company's performance against actual results of last year is that:

- A) it includes adjustments for future conditions
- B) feedback is no longer a possibility
- C) past results can contain inefficiencies of the past year
- D) the budgeting time period is set at one year

Answer: C

**Q4/**

Challenging budgets tend to:

- A) decrease line-management participation in attaining corporate goals
- B) increase failure
- C) increase anxiety without motivation
- D) motivate improved performance

Answer: D

**Q5/**

Actual results should NOT be compared against past performance because:

- A) past results may contain mistakes and substandard performance
- B) past results will never happen again
- C) past performance is an indicator of future performance
- D) future conditions will be similar to past conditions

Answer: A

**Q6/**

The revenues budget identifies:

- A) expected cash flows for each product
- B) actual sales from last year for each product
- C) the expected level of sales for the company
- D) the variance of sales from actual for each product

Answer: C

**Q7/**

The number of units in the sales budget and the production budget may differ because of a change in:

- A) finished goods inventory levels
- B) overhead charges
- C) direct material inventory levels
- D) sales returns and allowances

Answer: A

## 1- Sales Budget

Iraq Company produces and sells a specific product and the following are the planned sales within five months of 2010

April 725 units

May 1000 units

June 1200 units

July 1700 units

August 700 units

Planned sale price (10,000) per unit

**Required:**

preparing the sales budget for the second quarter of 2010 ?

**Solution:**

ان المعادلة الاساسية في اعداد موازنة المبيعات هي :

ايراد المبيعات = كمية المبيعات \* سعر البيع المخطط

**Sales revenue = sales amount \* planned sale price**

Sales Budget / second quarter of 2010

Details	April	May	June	Total
sales amount	725	1000	1200	2925
planned sale price	10000	10000	10000	10000
Sales revenue	7250000	10000000	12000000	29250000

## 2- موازنة الانتاج (Production Budget)

### Example//

Iraq produces and sells a special product, and you have the following data

1- Planned sales within four months of 2010 (sales budget) :

April	725 units
May	1000 units
June	1200 units
July	1700 units

2- The company's policy is to keep full production stocks at the end of each month, equaling 20% of sales for the following month.

### Required \\\

Preparing the production Budget for the Second Quarter of 2010?

### The solution

ان المعادلة الاساس في اعداد موازنة الانتاج هي :

موازنة الانتاج المطلوبة = موازنة المبيعات بالوحدات + مخزون الانتاج التام اخر المدة –

مخزون الانتاج التام اول المدة

**Required production budget = sales budget in units + total  
production stock at the end of the period - total production stock at  
the beginning of the period**

**Production Budget  
Second Quarter of 2010**

Details	April	May	June	Total
sales amount	725	1000	1200	2925
+ Stock of full production at the end of the period*	200	240	340	340
- Stock of full production at the beginning of the period*	(145)	(200)	(240)	(145)
production quantity	780	1040	1300	3120

ملاحظة 1: ان سياسة الشركة هي الاحتفاظ بمخزون انتاج تام اخر المدة بما يعادل 20% من مبيعات الشهر التالي اي ان مخزون اخر المدة لشهر نيسان يمثل مبيعات شهر مايس \* 20% وكذلك بالنسبة لشهر مايس وحزيران .

\*Total production stock last period:

April 1000 \* 20% = 1000 units

May 1200 \* 20% = 240 units

June 1700 \* 20% = 340 units

ملاحظة 2 : اما مخزون اول المدة لكل شهر يمثل مخزون اخر المدة للشهر السابق