

Beach Wind Company

Master Budget - Problem Data

Beach Wind Company manufactures kites that sell for **\$20 each**. Each kite requires **2 yards** of lightweight canvas, which costs **\$0.60 per yard**. Each kite takes approximately **30 minutes** to build, and the labor rate averages **\$8 per hour**.

Inventory policies

- Ending finished goods inventory should be **30% of next month's sales**.
- Ending direct materials inventory should be **20% of next month's production**.

Expected kite sales

Month	Expected unit sales
March	850
April	700
May	650
June	720
July	830
August	760

Manufacturing and selling costs

Variable manufacturing overhead is incurred at a rate of **\$0.40 per unit produced**. Annual fixed manufacturing overhead is estimated to be **\$9,000 (\$750 per month)** for expected production of **9,000 units** for the year. Selling and administrative expenses are estimated at **\$820 per month plus \$0.75 per unit sold**.

Cash and payment information

Beach Wind Company had **\$12,200 cash on hand on April 1**. Of its sales, **60% is cash**. Of the credit sales, **50% is collected during the month of the sale**, and **50% is collected during the month following the sale**.

Of direct materials purchases, **60% is paid during the month purchased**, and **40% is paid in the following month**. Direct materials purchases for March totaled **\$800**. All other operating costs are paid during the month incurred. Monthly fixed manufacturing overhead includes **\$280 in depreciation**. Beach Wind plans to spend **\$15,000 on equipment during April**.