Seminar 3.
3.Production budget

1. The connection between the production budget and sales budget.
2. Factors, affecting a production budget
3. Importance and limitations of production budget
4. How to calculate a production budget
5. Can required output of finished products, units in production budget be >0, =0, <0. When? What does it mean?
6. Reasons for the creating the inventories of the finished products
7. Advantages of excess inventory
8. disadvantages of excess inventory
9. Original value of inventories
10. Inventory valuation methods

11. Use the LIFO method to value (at cost) the ending inventory. There was no beginning inventory. The purchases during the month were as follows:
    5 units @ $2.00 apiece
    10 units @ $2.10 apiece
    15 units @ $2.20 apiece
    If the ending inventory were 15 units, it would be valued under LIFO at:
    a. $31.00.
    b. $33.00.
    c. $64.00.
    d. none of the above.

12. The beginning inventory of a certain item for the Frolicsome Resort was 10 units, which were purchased at $10 each. It purchased 5 units at $5 apiece, and later, 3 units at $10 apiece. The resort sold a total of 8 units during the current accounting period. Which of the following inventory valuation methods yields the highest ending inventory value for this inventory item?
    a. FIFO
    b. LIFO
    c. weighted average
    d. All these methods yield the same value for ending inventory.

13. Calculate Production process, outflow and ending inventory according weighted average method

Date of purchase	Amount of purchase	Production process, outflow	Ending inventory
16.01	20 units*$3	3units*$	
20.01	18*$3.5	10 units *$	
1.02	16*$3.8	4 units *$	
15.03	14*$3.6	2 units *$	

14. Calculate Production process, outflow and ending inventory according FIFO method

Date of purchase	Amount of purchase	Production process, outflow	Ending inventory
16.01	20 units*$3	3units*$	
20.01	18*$3.5	10 units *$	
1.02	16*$3.8	4 units *$	
15.03	14*$3.6	2 units *$	

15. Calculate Production process, outflow and ending inventory according LIFO method

Date of purchase	Amount of purchase	Production process, outflow	Ending inventory
16.01	20 units*$3	3units*$	
20.01	18*$3.5	10 units *$	
1.02	16*$3.8	4 units *$	
15.03	14*$3.6	2 units *$	

Task 16

Calculate the table and analyze the production facilities.

Product	Demand	Inventories	Additional production = Demand – Inventories	production facilities	production facilities / Additional production
A	1000	1000		1000	
B	2000	150		1500	
C	3000	200		10000	

Task 17

Calculate annual budgets of:

Sales division and production division, if

- Salary of workers 1000 hrn. Per month + 37% social fund, quantity of workers 1000 persons.
- Salary of administrative personal – 1200 hrn. Per month + 37% social fund.
- Quantity of administrative personal – 500, 10 from them - Sales division
- Salary of division director – 2000 hrn. Per month + 37% social fund.
- Norm of computer depreciation (balance value 20000 hrn.) – 15% per quarter.
- Norm of furniture depreciation (balance value 30000 hrn.) – 10% per quarter.
- Norm of director car depreciation (balance value 50000 hrn.) – 10% per quarter.
- Norm of sales transport depreciation (balance value 60000 hrn.) – 10% per quarter.
- Norm of equipment depreciation (balance value 100000 hrn.) – 6% per quarter.
- There are 10% of computer technique and furniture value of enterprise in sales division, 50% in production division
- Advertising – 50000 hrn.
- Material costs – 20% from revenue
- Packaging – 10000 hrn.
- General production costs – 20% from Material costs
- General business costs – 10% from revenue

- Marketing – 45000 hrn.
- Financial costs – 20000 hrn.
- Revenue – 10 mln. euro.

Compare received results with norm:
Budget of Sales division $\leq$ 10% from revenue;
Budget of production division $\leq$ 40% from revenue.