

A1. Sparkle

Sparkle Ltd makes jewellery products using silver and gemstones. You have been given the following information for its three products, necklaces, bracelets, and earrings:

	Necklace	Bracelet	Earrings
Sales volume	1,000	750	250
Raw materials			
Silver – grams	60	20	10
Gemstones - number	12	5	2

Raw material Inventory	Silver (grams)	Gemstones (number)
Opening inventory	8,000	3000
Closing inventory	12,000	2000
Cost	£400 per kg	£60 per stone

1. How much silver is needed to meet the production forecast?

- A 120kg
- B 7.75kg
- C 77.5kg
- D 40kg

2. How many gemstones are needed to meet the production forecast?

- A 16,250
- B 24,000
- C 10,000
- D 4,000

3. How much silver needs to be purchased?

- A 73.5 g
- B 77.5 kg
- C 77,504 g
- D 81.5 kg

4. How many gemstones need to be purchased?

- A 23,000
- B 17,250
- C 15,250
- D 3,000

5. What is the total purchase budget?

- A £32,600
- B £915,000
- C £1,006,000
- D £947,600

A2. ViewCo

ViewCo sells televisions and the management accountant has been given the following estimates for the coming year:

	Smart TV	High definition TV
Selling price £	600	900
Cost price £	400	650
Estimated sales volume	12,000	15,000
Opening inventory	1,300	1,400
Closing inventory	1,500	1,200

1. What is the total budgeted revenue?

- A £7,200,000
- B £20,700,000
- C £13,500,000
- D £27,000

2. How many Smart TVs needed to be purchased?

- A 12,200
- B 7,200,200
- C 11,800
- D 7,200,000

3. What should the budget labour be?

- A \$206,000
- B \$233,333
- C \$240,333
- D \$200,000

4. What should the revised fixed cost be?

- A \$120,000
- B \$123,600
- C \$122,400
- D \$140,000

5. What should the revised profit be?

- A \$241,567
- B \$130,000
- C \$151,667
- D \$171,667

A3. Reflection

A company, Reflection Ltd, makes mirrors and its managing directors have asked the management accountant to produce a budget for the following year. He has given the following assumptions from which the management accountant can calculate the budget for 2019, using actual information for 2018.

	2018 Actuals	2019 assumptions
Volume: number of mirrors	15,000	17,500
Selling price per mirror	\$50	Increase selling price by 10%
Materials	\$300,000	2% inflation
Labour	\$200,000	3% inflation
Fixed costs	\$120,000	3% inflation
Profit	\$130,000	

1. What should the sales budget be?

- A \$875,000
- B \$825,000
- C \$750,000
- D \$962,500

2. What should the budget material cost be?

- A \$350,000
- B \$357,000
- C \$300,000
- D \$300,600

3. What should the budget labour be?

- A \$206,000
- B \$233,333
- C \$240,333
- D \$200,000

4. What should the revised fixed cost be?

- A \$120,000
- B \$123,600
- C \$122,400
- D \$140,000

5. What should the revised profit be?

- A \$241,567
- B \$130,000
- C \$151,667
- D \$171,667

A4. WrapUp Ltd

A company, WrapUp Ltd manufactures jumpers, cardigans and hats from wool and buttons. The management accountant of WrapUp needs to calculate the amount of raw material to be purchased for the coming year.

	Jumpers	Cardigans	Hats
Volume of estimated sales	200	400	250
Raw materials			
Wool – number of balls per item	7	6	3
Buttons – number per item	2	10	0

Raw materials	Wool	Buttons
Opening inventory	260	80
Closing inventory	240	100
Cost per item	£8	£0.10

Required:

1. Using the information above, calculate the number of balls of wool and the number of buttons that are required to make the jumpers, cardigans, and hats for the coming year.
2. Calculate a purchase budget for each raw material, wool and buttons, in both quantity and costs.
3. Calculate the total purchase budget for WrapUp Ltd.

A5 Tablet Ltd

A hi-tech company manufactures laptops and tablets. The following estimates have been given by the Sales director for the following year:

	Laptop	Tablet
Selling price per item £	500	300
Estimated sales volume	2,000	4,000
Opening inventory	200	50
Closing inventory	240	40
Purchase cost per item £	300	240

Required:

- 1 Using the information above, calculate the estimated sale revenue for the following year for each product and for the company in total.
3. Calculate how many items need to be purchased, taking into account the levels of inventory at the start and end of the year.
4. Calculate the value of the purchase budget for each product and the total purchase budget for the company.
5. Calculate the sales margin for each of the products and the company.

A6. Cushion Co

A company makes luxury cushions to each customer's specific requirements. The interior design market, in which the business operates, has been growing fast. However, there is a shortage of high-skilled labour to make the cushions by hand. The fabric (raw material) is easy to source.

£	Budget	Actual	Variance
Sales volume	200	250	50
Materials £	12,000	13,000	(1,000)
Direct labour £	5,600	7,000	(1,400)

	Material £	Labour £
Price/rate variance	1,200	(3,300)
Usage/efficiency variance	(4,200)	2,800
Total variance	(3,000)	(500)

Required:

Review the variance analysis and suggest reasons for the results.

A7. Snap Ltd

The CEO of a camera manufacturer is reviewing the first draft of the budget for 2026, drawn up by the management accountant. The company operates in a very price competitive market with limited prospects for growth. General inflation is running at 2%. Head office costs are charged at a rate of 5% of sales.

Required:

Carey & Knowles: Accounting - A Smart Approach
Chapter 12 – Budgeting
Practice questions

Examine the budget below and consider what questions you would advise the board to ask the management accountant.

Snap: a comparison of 2025 actuals to 2026 budget		
	2025 actual	2026 budget
Number of cameras	120,345	132,380
	£	£
Average price per	350	360.5
Sales revenue	42,120,750	47,722,810
Material cost	12,636,225	12,888,950
Direct labour cost	683,200	751,520
Factory utilities	32,505	33,155
Factory depreciation	2,300,126	2,300,126
Factory administration costs	59,365	59,365
Marketing and sales costs	60,285	55,000
Head office charge	6,017	6,017
Profit	26,343,027	33,498,803

A8. What type of budget best addresses the challenges of budgeting?