**FINANCE FOR MANAGERS**

**Learning Outcome 3: ACTIVITY 2**

**PAIRED ACTIVITY**

**Budgets**

Nelson Engineering LTD produces a single component for use in motorized engines. Each component can be sold for $20.00

The costs of producing each component are:

Direct materials $6.70

Direct labour $5.30

On 1 April, there was an opening inventory of 320 components.

Predicted components sales are:

|  |  |
| --- | --- |
|  | Components |
| April | 3 700 |
| May | 2 800 |
| June | 3 900 |
| July | 5 500 |

Each month’s closing inventory is to be maintained at 10% of the following month’s sales.

REQUIRED

Prepare a production budget for Nelson Engineering LTD, for each of the three months to 30 June.