

# [Sales budgets](https://assignbuster.com/sales-budgets/)

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Sales budget is a particular budget and involves sales revenue for the particular period i. e. 3 months, 6 months etc. The calculation should be made for each product like ice cream and frozen yogurt products for the period required. The sales budget identifies cash sales, credit sales, amount that will be realized in the specified schedule. It means the cash received in the months includes the amount of current month cash sales and previous month’s credit sales. The sale budget is an estimation of future sales in order to create the company salesgoals.

It is meant for the prediction of future sales of particular product for a specified period and will be created by taking consideration of past performance of the product, inflation rates, unemployment, consumer spending, market trends and interest rates. Some of the items of sales budget are as follows: CASH BUDGETS Preparation of cash budge is management plan and it is most important factor that describes the company’s viability. The company’s position intimates that how much suppliers are to be paid and what are the expenses that should be met with immediate effect.

Like other budgets the cash budget is also prepared for particular period i. e. 3 months, 6 months etc. The cash budget inclusive of cash receipts and cash payments. The budgets always indicate the projections and these are not actual figures. The cash budget can be prepared on the basis of time period, desired cash position and estimated sales and expenses. Some of the following terms that will appeal in cash budget. The operating expenses relate that are to be met at the time of manufacturing of the product. These expenses are compulsory and the expenses called indirect expenses.

Some of the following expenses indicate the operating expenses. • Distribution expenses • Selling and marketing expenses • General and administrative expenses CAPITAL BUDGETS It is an investment decision. The capital budgets indicate that how amount should be invested and what ratio of investment should be made etc. In order to avoid the idle cash and waste of cash, the investment decisions are taken. Since it is investment decision, the payback calculations are to be found by implementing various techniques like net present value, international rate of return etc.

Capital budgeting is capital expenditure just like current expenditure. The capital budgeting is prepared by taking the considerations like long term goals, new investment opportunities, new projects etc. Hence it should be understand the capital budgeting is linked with return on investment. Some of the following terms indicate the capital budgeting. • Capital investment and its return • Future values/compound interest • Present value • Net present value • Internal rate of return • Payback period • Accounting rate of return

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