

Cash budget essay example

[Business](#), [Company](#)



A cash budget is a statement that is used to show the cash inflows and outflows in an organization for a defined period of time. It is mainly made of two components; cash inflow section and outflow section. The gladiator cash budget is for a given duration, which is mainly January to March. From the analysis of the budget, the cash balance for the three months is in deficit. Despite the cash balance at the beginning of the month being surplus, the company's cash disbursement is actually higher than cash inflows. This makes the gladiator company to be prone to financial risks. This is evidenced by the company not able to maintain the cash balance of \$ 10, 000 at the beginning of each month from its operations. The company makes this target by borrowing, which may result to credit risks in the long run.

The company sales level shows an increasing trend. This is evident as sales in the month of October were \$ 300, 000 compared to the month of March which sales were \$ 400, 000. This is a tremendous move in the company sales, but the payment policy of goods sold is not much efficient. In every sale, 5 percent is taken as bad debts. This shows that, a substantial portion of sales is lost. For instance, in the month of March, \$ 20, 000 will be deemed not payable. This could be used to reduce the deficit value by almost the same value if a good credit policy is implemented. Despite the sales level showing an increasing trend, the disbursement follows the same trend by almost the same magnitude. For instance, the sales growth for the month of March is 29 percent compared with a disbursement increase by 21 percent. This is an indication that, despite the cash inflow increasing, cash outflow is also increasing by almost the same magnitude. There will be a minimal change in the cash balance at the end of the month.

The management of gladiator robotics should design strategies and efficient measures of reducing the expenditure level. Measures such as removing redundant workers should be done to reduce the labor and wage levels. The company is using cash from credit to finance the deficits of the month. The credit cash has finance cost which is incurred annually. This will increase the disbursement level thus not effective. The fund is not enough to fund the company deficits for a long period of time thus not effective and long term sources of funds should be implemented.

In conclusion, the management team of gladiator robotics should change their operations and activities in a way that will help the company to meet its cash disbursement. This will save the company from financial risks such as liquidity risks.

References

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