

FINANCIAL ACCOUNTING QUIZ 3 CASH RECEIPT PROBLEMS

1. History indicates that 70% of sales are on account and collections are 50% in the next month, 45% in the following month and 5% are not collected. What are the cash receipts for March assuming sales for January, February and March of \$80,000, \$90,000 and \$110,000 respectively?

2. The IOU Company expects sales for June, July and August of \$48,000, \$54,000 and \$44,000 respectively. Experience suggests that 40% of the sales are for cash and 60% are on credit. The company collects 50% of its credit sales in the month following the sale, 45% in the second month following the sale and 5% are not collected. What are the company's expected cash receipts for August from all customers?

3. Rayon Company has budgeted the following credit sales during the current year: September is \$12,500, October is \$18,000, November is \$15,000 and December is \$16,000. Experience as shown that payment for the credit sales is received as follows: 10% in the month of the sale, 60% in the first month after the sale, 20% in the second month after the sale and 10% is not collected. How much cash can Rayon Company expect to collect in November as a result of credit sales?

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4. A company's history indicates that 20% of its sales are for cash and the rest is on credit. Collections on credit sales are 20% in the month of the sale, 50% in the next month and 30% the following month. Projected sales for January, February and March are \$75,000, \$92,000 and \$60,000 respectively. Calculate the expected cash receipts from credit customers in March.

5. A company's history indicates that 20% of its sales are for cash and the rest is on credit. Collections on credit sales are 20% in the month of the sale, 50% in the next month and 30% the following month. Projected sales for January, February and March are \$75,000, \$92,000 and \$60,000 respectively. Calculate the expected cash receipts in March.

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Answers:

1. History indicates that 70% of sales are on account and collections are 50% in the next month, 45% in the following month and 5% are not collected. What are the cash receipts for March assuming sales for January, February and March of \$80,000, \$90,000 and \$110,000 respectively?

March for March Cash Sales ($\$110,000 \times 30\%$)	33,000
March for February Credit Sales ($90,000 \times 70\% \times 50\%$)	31,500
March for January Credit Sales ($80,000 \times 70\% \times 45\%$)	25,200
Cash Receipts for March	\$89,700

2. The IOU Company expects sales for June, July and August of \$48,000, \$54,000 and \$44,000 respectively. Experience suggests that 40% of the sales are for cash and 60% are on credit. The company collects 50% of its credit sales in the month following the sale, 45% in the second month following the sale and 5% are not collected. What are the company's expected cash receipts for August from all customers?

August from August Cash Sales ($44,000 \times 40\%$)	17,600
August from July Credit Sales ($54,000 \times 60\% \times 50\%$)	16,200
August from June Credit Sales ($48,000 \times 60\% \times 45\%$)	12,960
Cash Receipts for August from all customers	\$46,760

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November from November Sales ($15,000 \times 10\%$)	1,500
November from October Sales ($18,000 \times 60\%$)	10,800
November from September Sales ($12,500 \times 20\%$)	2,500
Cash Receipts in November from Credit Sales	\$14,800

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March from March Credit Sales ($60,000 \times 80\% \times 20\%$)	9,600
March from February Credit Sales ($92,000 \times 80\% \times 50\%$)	36,800
March from January Credit Sales ($75,000 \times 80\% \times 30\%$)	18,000
Cash Receipts for March from Credit Customers	\$64,400

5. A company's history indicates that 20% of its sales are for cash and the rest is on credit. Collections on credit sales are 20% in the month of the sale, 50% in the next month and 30% the following month. Projected sales for January, February and March are \$75,000, \$92,000 and \$60,000 respectively. Calculate the expected cash receipts in March.

March from March Cash Sales ($60,000 \times 20\%$)	12,000
March from March Credit Sales ($60,000 \times 80\% \times 20\%$)	9,600
March from February Credit Sales ($92,000 \times 80\% \times 50\%$)	36,800
March from January Credit Sales ($75,000 \times 80\% \times 30\%$)	18,000
Cash Receipts for March from all customers	\$76,400