

Logan Township acquired its water system from a private company on June 1. No receivables were acquired with the purchase. Therefore, total accounts receivable on June 1 had a zero balance.

Logan plans to bill customers in the month following the month of sale, and 70% of the resulting billings will be collected during the billing month. In the next following month, 90% of the remaining balance should be collectable. The remaining uncollectible amounts will relate to citizens who have moved away. Such amounts are never expected to be collected and will be written off.

Water sales during June are estimated at \$3,000,000, and expected to increase 30% in July. August sales will be 10% less than July sales.

- (a) For each dollar of sales, how much is expected to be collected?
- (b) Estimate the monthly cash collections for June, July, August, and September.
- (c) As of the end of August, how much will be the estimated amount of receivables from which future cash flows are anticipated?