

Form a team consisting of six members. Carefully review the comprehensive budget illustration provided in the textbook for Shehadeh Movie Screens. Then, assume that a general decline in the economy has resulted in a revision of the 20X9 sales plan.

Each quarter's sales are now anticipated to be 200 less than previously forecast (e.g., Q1 is now planned at 1,900 units, etc.).

- Team Member #1 Prepare the revised sales and cash collections budget, as well as the revised production budget. You may assume that the end of year finished goods inventory will be reduced to 650 units, and ending accounts receivable will be reduced to \$128,333. Beginning finished good inventory remains at 525 units.
- Team Member #2 Prepare the revised direct materials and related cash payments budget. Assume no change in beginning raw materials inventory. Assume ending raw materials inventory is targeted at 18,000 square feet.
- Team Member #3 Prepare the revised direct labor and factory overhead budget. Assume there is no change in total fixed costs. Recalculate the factory overhead application rate based on the revised total factory overhead and new direct labor hours.
- Team Member #4 Calculate the ending finished goods inventory and prepare the selling, general, and administrative expense budget.
- Team Member #5 Prepare the cash budget. Assume that anticipated taxes are reduced by half. The company will continue with the planned purchase of equipment and debt financing/repayment schedule.
- Team Member #6 Prepare the budgeted income statement and budgeted balance sheet.

The electronic spreadsheet version of this problem on the website includes the existing budget as displayed within Chapter 21 of the textbook. You may find it easiest to revise your portion of that template, and then pass the electronic file along to the next member of the team. As you do so, discuss the importance of timely communication between colleagues in working through the budgeting process (i.e., sales must communicate with production, etc.).