

Calculating Cycles Consider the following financial statement information for the Sourstone Corporation:

Item	Beginning	Ending
Inventory	\$7,203	\$9,041
Accounts receivable	3,069	3,995
Accounts payable	3,617	4,599
Net sales		\$95,982
Cost of goods sold		59,814

Assume all sales are on credit. Calculate the operating and cash cycles. How do you interpret your answer?

- 16. Cash Budget** Hurzdan, Inc., has a 32-day average collection period and wants to maintain a minimum cash balance of \$20 million, which is what the company currently has on hand. The company currently has a receivables balance of \$236 million and has developed the following sales and cash disbursement budgets (in millions):

	Q1	Q2	Q3	Q4
Sales	\$390	\$493	\$595	\$545
Total cash disbursement	321	432	767	463

Complete the following cash budget for the company. What conclusions do you draw?

HURZDAN, INC.

Cash Budget

(in millions)

Q1 Q2 Q3 Q4

Beginning receivables

Sales

Cash collections

Ending receivables

Total cash collections

Total cash disbursements

Net cash inflow

Beginning cash balance

Net cash inflow

Ending cash balance

Minimum cash balance

Cumulative surplus (deficit)
