

1.

Award: 12.00 points

Problems? [Adjust credit](#) for all students.**Exercise 22-17 Preparation of cash budgets (for three months)**

Kayak Co. budgeted the following cash receipts (excluding cash from operations) and cash payments (excluding cash from operations, loan principal and interest payments) for the first three months of 2017:

	Cash Receipts	Cash payments
January	\$ 521,000	\$464,500
February	403,000	346,500
March	458,000	535,000

According to a credit agreement with its bank, Kayak requires a monthly cash balance of \$40,000. The company has agreed that the company can borrow up to \$150,000 at a monthly interest rate of 1% on the beginning balance of the loan for the month. Interest expense is computed on the last day of each month. The company has a cash balance of \$40,000 at the beginning of January.

Prepare monthly cash budgets for January, February, and March. (Indicate cash receipts and cash payments with a plus sign and cash payments and interest expense with a minus sign.)

KAYAK COMPANY			
Cash Budget			
For January, February, and March			
	January	February	March
Beginning cash balance	\$ 40,000	\$ 40,000	\$ 40,000
Cash receipts	521,000	403,000	458,000
Total cash available	561,000	443,000	508,000
Cash payments	(464,500)	(346,500)	(535,000)
Interest expense	(800)	(243)	(719)
Preliminary cash balance	95,700	96,257	(106,959)
Additional loan (loan repayment)	(55,700)	(24,300)	106,959
Ending cash balance	\$ 40,000	\$ 71,957	\$ 40,000