2. Tyva's balance sheet for May 31 follows.

Tyva Balance Sheet as of May 31		
Assets		
Cash		$ 9,435
Accounts receivable	$324,000	
Less: Allowance for bad debts	16,200	307,800
Inventories		
Direct materials		9,279
Finished goods		115,875
Fixed assets	$870,000	
Less: Accumulated depreciation	136,335	733,665
Total assets		$1,176,054
Liabilities and Equity		
Accounts payable		$ 15,600
Taxes payable		10,800
Interest payable		750
Long-term debt		150,000
Common stock		300,000
Retained earnings		698,904
Total liabilities and equity		$1,176,054

Use the balance sheet and the following information to prepare a cash budget for Tyva for June. Round to dollars.

- All sales are on account; 60% are collected in the month of the sale, 38% are collected the following month, and 2% are never collected and written off as bad debts.
- All purchases of materials are on account. Tyva pays for 80% of purchases in the month of purchase and 20% in the following month.
- All other costs are paid in the month incurred, including the declaration and payment of a $15,000 cash dividend in June.
- Tyva is making monthly interest payments of 0.5% (6% per year) on a $150,000 long-term loan.
- Tyva plans to pay the $10,800 of taxes owed as of May 31 in the month of June. Income tax expense for June is zero.
- 30% of processing, setup, and inspection costs and 10% of marketing and general administration and shipping costs are depreciation.

3. Prepare a budgeted income statement for June.

4. What questions might the CEO ask the management team when reviewing the budget?

5. How does preparing the budget help Tyva's management team better manage the company?