Budgeting Challenges

**Introduction**

Joseph Miller founded the Miller Building Supplies Company in Glen Burnie after the Korean War, and since then, the company developed to be famous in distributing building items like drywall, paint, flooring, and lumber. The MBS Company is mostly faced with financial challenges during the winter season when few building projects are conducted. The 2008 financial statements of the company reveal that after the company made sales worth $57,496,300 the net income was only $1,747,900. Though the net income has been increasing over the years, the company is expected to have a higher profitability rate. Lack of adequate working capital is a common problem among business companies (Panov, 2013). At Miller Building Capital, the chief financial officer regularly complains of inadequate working capital for the company during winter, and this reduces sales of the company. Therefore, the paper discusses budgeting challenges at Miller Building Supplies Company.

**Challenges in Monthly Cash Budget of Miller Building Supplies**

Chief Financial Officer at Miller Building Supplies poorly associate with the management of Bank of Maryland, and this limits the line of credit offered to the company for use in increasing working capital. The MBS management hardly take debts from the bank of Maryland to increase their working capital, and this lower the liquidity of the company's operations. Therefore, cash inflows and outflows of MBS are irregular, and lack of issuing company's stock has exceeded financial challenges. Miller Building Company makes seasonal sales with the demand for their business operations reducing during the colder months. When the business activities of the company are inactive, a monthly cash budget reduces to become inadequate (Panov, 2013). Inadequate cash budget will not cater for monthly taxes imposed by the company, and this acts as another challenge.

More so, Miller Building Company waits for spring to start planning for large building projects, which cannot be supported during winter time. The delay in starting big projects limit the company in making profits. Lower profitability rate will affect the cash budget since enough capital will be missing in summer for the company to fund multi-projects with huge profits. Lacks of corrective actions from the Chief Financial Officer ensure limited loans are borrowed from banks (Panov, 2013). The MBS company experiences more challenges when it hires unqualified seasonal workers during the summer season since monthly cash budget will be allocated to pay low quality workforce. Therefore, there is a need to improve the leadership of MBS to ensure there is a competent CFO who creates a good relationship with banks where regular loans can be extracted.

**Provision of Cash Budget after its Successful Completion**

The successful completion of a cash budget will provide increased cash flows for MBS to ensure liabilities are easily paid. The available cash budget acts like current assets to be used in meeting payroll obligations. Capital raising efforts will increase the operations of MBS depending on cash budget completion. In addition, the cash budget will provide the company's probable income to be earned after an increase in total sales (Paul, 2014). Successful cash budget evaluates the future financing needs and helps CFO recognize future investments risks of the company.

Recognizing instances of cash deficit is made more manageable after a cash budget is successfully completed. Cash deficit reveals the need for the company to borrow loans after monthly expenses exceed the actual financial values allocated by CFO. Therefore, financing needs are provided for MBS after completion of a cash budget. A completed cash budget describes MBS performance by considering the effectiveness of investors and suppliers operations.

**Working Capital Options to improve MBS Cash Position**

The CFO of Miller Building Supplies should borrow loans from the Bank of Maryland to increase sales of the company. More so, MBS CFO should incentivize receivables as a way of promoting customers who pay for goods purchased in time. Meeting debt obligations should be another option for increasing company’s profitability and need to be supported bycompany allowing the use of electronic payment systems that ensure payments are not delayed to the extent of attracting penalty (Atlas & Mitelman, 2015). Fixed and variable costs should be analyzed to ensure a reduction of wasteful expenses. Liquidity for working capital increases after CFO eliminates the funding of wasteful projects.

**Impacts of Accounts Receivable Choices**

At MBS Company, the accounts receivable choices appear on the assets side of the balance sheet and increase dollar value to products and services of the company, which are analyzed in the same column with assets. Accounts receivable choices affect items in liability column of the balance sheet, to allow maintenance of company's net worth after CFO struggle to manage the inventory payable balance with the accounts receivable balance (Benishay, 2015). Cash flow is negatively affected by accounts receivable if customers in receiving goods and services of MBS fail to pay for labor an inventory.

**Conclusion**

In conclusion, CFO of MBS Company should work on cash budget to ensure it is successfully completed to offer adequate working capital. A successful cash budget increases a company's profitability by funding for better business projects since most of the important company’s projects, which increase monthly income; require huge capital for their establishment.

References

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