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**PHASE FOUR [NEW00142.GIF](INTRODUCTION.docx)**

**EXERCISE NINE-A** House Information

**Developing a Six Month Merchandise Budget**

**Using the Basic Stock Method**

**The worksheet needed for the basic stock method can be**

**found by clicking on the winter parka**

[CLECO008](budget%20basic%20stock.xlsx)

Anne Harriot is in the process of developing the merchandise budget for *The House* for the first six months of 2011. They have decided to utilize the basic stock method of merchandise budgeting. Planned sales for the first half of 2011 are $740,000 and this is divided as follows: February = 9%, March = 11%, April = 14%, May = 21%; June = 22%; and July = 23%. Planned total retail reductions are 8% for February and March, 5% for April and May, and 12% for June and July. The planned initial markup percentage is 47%. They desire the rate of inventory turnover for the season to be two times. Also they want to begin the second half of the year with $410,000 in inventory at retail.

The Variables Worksheet you will need to run this simulation can be reached by clicking the winter parka above. You will need to enter the variables on the Input Form. The completed six-month merchandise budget will automatically be prepared. Instructions for use of the Variables Worksheet can be reached by clicking on the “Help” button at the top right of the worksheet. Be sure to save your work and print a copy once you are satisfied with its correctness. After you complete your simulation there are questions you need to answer. These can be answered by typing your responses below the questions, saving your work, printing a copy, and handing it in to the instructor if required.

The formula for each row can be found on the Variables Worksheet.

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**EXERCISE NINE-A**

**QUESTIONS**

1. Why does the basic stock method result in less fluctuation in inventory levels than does the stock to sales method?
2. Why is it easier for *The House* to keep track of their in-store inventory at retail prices even though the inventory must be accounted for at cost?*OuHouse*