

# Blue Sky Toys Ltd.

Blue sky Toys Ltd starts trading in January in cuddly toys. Its first product is a cuddly owl, which is bought at a cost of £5.50 and sells for £8.00 through mail order and from a market stall. The supplier allows Blue Sky a one month's credit. Blue Sky sells 30 per cent of the owls for cash and the remainder by mail order for which customers are given two months credit.

Blue Sky has decided to purchase the following number of owls:

January	300	April	350
February	300	May	350
March	350	June	350

Blue Sky predicts it will sell the following number of owls:

January	200	April	300
February	250	May	350
March	300	June	350

To establish the business Blue Sky has agreed a £500 loan from the Bank. The first interest payment on this is not until the end of the calendar year. The capital repayment is also deferred until the next year.

To enable it to trade it will incur the following additional costs:

- Advertising at £25 per month paid one month in arrears.
- Telephone bill: £75 pounds per quarter payable at the end of each corner quarter i.e. March and June.
- Hire of the market stalls at £15 per month payable at the end of the month.
- Miscellaneous expenses of £10 per month payable in a month in which they occur.

## Tasks

- Produce a cash flow forecast for Blue Sky Toys.
- Produce a profit and loss statement for the first six months of trading.
- Produce a balance sheet as at the end of June.