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

**EXERCISE EIGHT-B** House Information

**Developing a Six Month Merchandise Budget**

**BOM Stock to Sales Method**

**The worksheet needed for the stock-to-sales method can be found**

**by clicking on the men’s ties**

[CLDTI003](budget%20stock%20to%20sales.xlsx)

Anne Harriot is in the process of developing the merchandise budget for *The House* for the first six months of 2011. 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%; July = 23%. Planned total retail reductions are 8% for February and March, 5% for April and May, and 10% for June and July. The planned initial markup percentage is 47%. The planned BOM Stock-to-Sales ratio for each month is as follows: February = 6.1, March = 5.3, April and May = 5.0, June = 4.1 and July = 5.2. Also they want to begin the second half of the year with $710,000 in inventory at retail.

The Variables Worksheet you will need to run this simulation can be reached by clicking the men’s ties 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 EIGHT-B**

**QUESTIONS**

1. Why do most retailers begin their six month merchandise budget with February, the second month of the year?
2. Why is the initial markup so much higher than the ending gross margin percentage?*OuHouse*