

of additional working capital was needed for increased parts inventory for these other guns, to sustain their production during periods of machining for the break action shotgun.

BREAK ACTION, SINGLE BARREL SHOTGUN

PROJECT PREPARED IN JULY, 1961

Basis: Minimum Capital Investment

Annual Volume	30,000
Retail Selling Price	\$ 32.75
Unit Gun Cost - <u>Out-of-Pocket</u>	\$ 16.40

Net Annual Earnings	\$ 24,500
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Investment

Permanent Investment	\$ 62,000
Working Capital	
Break Action Shotgun	\$ 465,000
<u>In-Process Inventory - Other Guns</u>	\$ 184,000
Total Capital Required	\$ 711,000
% Return	3.4%

Alternative Low Unit Cost Approach

Annual Volume	30,000
Retail Selling Price	\$ 29 - 30
Goal Unit Gun Cost - <u>Out-of-Pocket</u>	\$ 10 - 11

Net Annual Earnings	\$ 90,000
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Investment

Permanent Investment	\$ 160,000
Working Capital	
Break Action Shotgun	\$ 295,000
<u>In-Process Inventory - Other Guns</u>	-
Total Capital Required	\$ 455,000
% Return	20%

The operating and project cost data for the project prepared in 1961 was analyzed to determine the potential for the opposite approach of providing a production line to produce the break action single barrel shotgun at minimum cost. This analysis indicated that a 20% return project was realizable if the shotgun could be produced for an out-of-pocket cost of \$10-11 on a production line costing no more than \$160,000 to set up. The ability of a production line to produce this item for \$10-11 appears reasonable. The equivalent out-of-pocket cost for the Model 514 is about \$8.10, and the break action shotgun design is not more complicated than the Model 514. However, the Committee questioned if a production line to produce the shotgun for