

Police Folding Stock
Economics Summary

	Year		
	1st	1st	3rd
Initial Order Quantity	5000	10,000	5000
Unit Sales	5000	5,000	2000
Net Selling Price	19.95	19.95	19.95
Unit Cost from Vendor	11.94	10.85	11.94
Operative Earnings	3.95	5.24	3.95
Earnings % Sales	19.8	26.3	19.8
Net Earnings	13,390	16,000	4,470
Working Capital	52,800	76,360	39,640
Return on Capital	25.4	21.0	11.3
Return on Total Investment	21.0	18.2	8.0

Notes:

1. Changes since July analysis

- Accounts Receivable based on 2% 10 days/net 30 instead of Dating for determination of Working Capital.
- \$5000 amortization of development costs and exclusive agreement applied uniformly over life of the venture rather than as \$1 per unit on the first 5000 units.
- 5000 units will be purchased in the 3rd year at the higher price against forecast unit sales of 2000.

2. Sales forecast:

- 5000 units in each of the first 2 years
- 2000 units in each of the next 5 years

3. Working Capital for 10,000 units (\$76,360) is the average capital required over the first 2 years when 10,000 are ordered initially and then at 5000/year.

4. Total investment includes Tooling, Drawings, Advertising and other initial project costs.