

Items that remain to be done are:

- Review the revised economics for the project based on an initial quantity of 5000 or 10,000 units and select the alternative by which to proceed.
- Issue the Purchase Orders for the drawings and the production tooling.
- Issue orders for the initial product inventory.
- Procure the packaging materials in the Bridgeport area.
- File for patents (preparation of an application will begin on October 15).
- Begin the selling campaign and the acceptance of orders.

#### Revised Economics

The economics presented in July were based on a unit price of \$10.85 with the understanding that we would purchase 10,000 units. We elected to reduce our risk and initial investment by purchasing 5000 units.

At this lower volume, Mr. Johnson has increased the unit price by 10% to \$11.94. He is justified in doing so because he will lose savings in quantity orders of parts and operating efficiency in his shop at the lower volume.

The list and wholesale prices for this item can readily be increased to partially off set the higher product cost. Government Sales feels the market will accept any list price under \$30, any wholesale price under \$20. \$19.95 is therefore set as the wholesale. At a 30% discount the list price will be \$28.50.

At this price, the revised economics show the following outlook for quantities of 5000 and 10,000 units.

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