

1	Year:		1	2	3	4
	Units sold		6,000	6,200	7,700	3,100
	Selling price		\$ 25	\$ 25	\$ 24	\$ 22
	Sales revenue		\$ 150,000	\$ 155,000	\$ 184,800	\$ 68,200
	Marketing, distribution and customer service costs:	Per unit	\$ 3	\$ 3	\$ 3	\$ 3
		Total	\$ 18,000	\$ 18,600	\$ 23,100	\$ 9,300
	Units produced		7,000	6,500	6,500	3,000
	Variable manufacturing costs	×	\$ 12	\$ 13	\$ 14	\$ 15
	Total variable manufacturing costs		\$ 84,000	\$ 84,500	\$ 91,000	\$ 45,000
	Depreciation	109,200 ÷ 4 =	\$ 27,300	\$ 27,300	\$ 27,300	\$ 27,300
	Cost of goods manufactured	<u>Cogm</u>	\$ 111,300	\$ 111,800	\$ 118,300	\$ 72,300
	Units produced	÷	7,000	6,500	6,500	3,000
	Unit cost		\$ 15.90	\$ 17.20	\$ 18.20	\$ 24.10
	Units produced - units sold		1,000	300	(1,200)	(100)
	Ending inventory = Units produced - units sold + beginning Inventory		1,000	1,300	100	0
	Dollar value = Ending inventory × Unit cost		\$ 15,900	\$ 22,360	\$ 1,820	\$ -
	From current period: <u>Cogm</u> - Ending inventory		\$ 95,400	\$ 89,440	\$ 116,480	\$ 72,300
	From previous period: Ending inventory last period			\$ 15,900	\$ 22,360	\$ 1,820
	Cost of goods sold		\$ 95,400	\$ 105,340	\$ 138,840	\$ 74,120

Income Statement

Sales revenue		\$ 150,000	\$ 155,000	\$ 184,800	\$ 68,200
Cost of goods sold		\$ (95,400)	\$(105,340)	\$(138,840)	\$ (74,120)
Marketing, distribution and customer service costs:		\$ (18,000)	\$ (18,600)	\$ (23,100)	\$ (9,300)
Gain on disposal of machine					\$ 18,000
Earnings before taxes		\$ 36,600	\$ 31,060	\$ 22,860	\$ 2,780
Taxes 40.00%		\$ (14,640)	\$ (12,424)	\$ (9,144)	\$ (1,112)
Net income		\$ 21,960	\$ 18,636	\$ 13,716	\$ 1,668

I. Direct Method

Year:	0	1	2	3	4
Acquire machines	(109,200)				
Sales revenue		150,000	155,000	184,800	68,200
Total variable manufacturing costs		(84,000)	(84,500)	(91,000)	(45,000)
Marketing, distribution and customer service costs:		(18,000)	(18,600)	(23,100)	(9,300)
Disposal of machine					18,000
Taxes		(14,640)	(12,424)	(9,144)	(1,112)
Cash flow	(109,200)	33,360	39,476	61,556	30,788

II. Indirect Method

Year:	0	1	2	3	4
Net income		21,960	18,636	13,716	1,668
+ Depreciation		27,300	27,300	27,300	27,300
- Increase in inventory		(15,900)	(6,460)	20,540	1,820
Cash flow from operations		33,360	39,476	61,556	30,788
Cash flow from Investment	(109,200)				
Cash Flow	(109,200)	33,360	39,476	61,556	30,788

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Present value discount factor at 16.00%		1.000	0.862	0.743	0.641	0.552
Present value	Total ₱ 5,336	Σ	(109,200)	28,759	29,337	39,436
						17,004

Add new line of running shoes.