Business Studies

A certain company decides to make a new educational computer. They agree terms with an OEM to supply units at a cost of £10/unit delivered, payable by LoC on shipment. They predict sales per quarter in units as follows:

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (units)</td>
<td>200</td>
<td>2000</td>
<td>4000</td>
<td>8000</td>
</tr>
</tbody>
</table>

The units are sold to a distributor as they are delivered at a price of £30 wholesale, for a target price of £49.99 retail.

The company employs five staff at a monthly salary of £2000 each, and has overheads equivalent to salary. In addition there is a marketing spend of £10,000 per quarter.

(a) Draw up a quarterly profit and loss statement. [5 marks]

(b) Draw up a quarterly cash flow projection for this project, stating assumptions. How much working capital is required? [5 marks]

(c) Draw up a balance sheet at the end of Q4. [5 marks]

(d) Comment on how the working capital might be funded. [5 marks]