



ISRA UNIVERSITY

Islamabad Campus

Department of Electrical Engineering

Program: B.E. (Electrical)

Semester – Spring 2016

HS-321 Engineering Economics & Management

Quiz – 3

Marks: 10

Handout Date: 18/05/2016

Question # 1:

XYZ Ltd manufactures home solutions and has debtor days of 30 days and creditor days of 90 days. The firm is considering its budgets and will produce a cash flow forecast for next year. The table below shows the expected timing of the transactions during the year. The assumptions that the company make are that wages are paid immediately; overheads are paid after 30 days and rent are paid after 60 days.

Thousands						Months						
Item	1	2	3	4	5	6	7	8	9	10	11	12
Sales	90	90	80	80	110	110	90	100	120	140	150	120
Wages	40	40	40	45	45	40	40	45	50	55	60	50
Materials	30	30	25	25	35	35	30	35	45	80	60	50
Overheads	11	11	11	11	11	11	12	12	14	14	14	14
Rent			30			30			35			35

Item	10	11	12
Sales	100	90	100
Wages	45	45	55
Materials	35	35	80
Overheads	10	10	10
Rent			30

Debtor days = 30

Creditor days = 90

Wages days = Immed

Overhead days = 30

Rent days = 60

Thousands	Months											
	1	2	3	4	5	6	7	8	9	10	11	12
Item												
Sales	100	90	90	80	80	110	110	90	100	120	140	150
Wages	40	40	40	45	45	40	40	45	50	55	60	50
Materials	35	35	80	30	30	25	25	35	35	30	35	45
Overheads	10	11	11	11	11	11	11	12	12	14	14	14
Rent		30			30			30			35	
Total Cash Out	85	116	131	86	116	76	76	122	97	99	144	109
Net Cash Flow	15	-26	-41	-6	-36	34	34	-32	3	21	-4	41
Opening Balance	0	15	-11	-52	-58	-94	-60	-26	-58	-55	-34	-38
Closing Balance	15	-11	-52	-58	-94	-60	-26	-58	-55	-34	-38	3