Deliverable H

Introduction

Having trouble holding onto items? Are you experiencing difficulties in gripping motion due to your thumb? Then, GripMate is the product for you. GripMate turns your imagination into reality as you experience the future in your hands. Just put the glove on and set your troubles aside as you grip with GripMate. This report summarizes the economic details of production of GripMate.

Central Body

1. Include a list of: variable, fixed, direct and indirect costs associated with your business, based on the manufacturing and sale of your product. Make sure that you distinguish between price and cost and realize that prototyping and higher-volume manufacturing costs will probably differ.

Variable Direct Cost	Variable Indirect Cost	Fixed Direct Cost	Fixed Indirect Cost
● Material Costs ● Cost of transportation ● Shipping ● Taxes	● Electricity ● Water	● Labour cost	● Rent ● Equipment Cost

2. Develop a 3-year income statement, which includes: sales revenue and costs of goods sold for each year, gross profit, operating expenses and operating income (no need to include interest and taxes).

The cost of assembling the products by using other companies' products is approximately $60 per pair. Our target selling price is $120 and with expectation of selling 1,000 pieces every year,

Sales: $120 x 1000 x 3 Years = $360,000
Cost of goods sold: $60 x 1000 x 3 Years= $180,000
Gross profit: $180,000

Operating expenses:
Equipment expense: $15,000

Selling expenses:

Marketing Expense: $10,000 x 3 Years = $30,000

Administrative expenses:

Rent: $ 15,000 x 3 Years

Electricity: $1500 x 3 Years

Water: $1200 x 3 Years

Payroll: $15,000 x 3 Years

Office supplies: $ 1000 x 3 Years

Total operating expenses: $ 101,000

Operating Income:

Gross profit - Operating expense = $78,900

Net Income:

$59,175

3. Using a NPV analysis, determine the break-even point (it is highly unlikely that your operating income will be positive in the first year because of fixed costs). (3% interest rate)

Year	Annual cash flow ($)	Discount factor ($)	Net present value ($)	Cumulative NPV ($)
0	975	1	975	975
1	16300	0.97	15811	16,896
2	16300	0.94	15322	32,108
3	16300	0.92	14996	48,104

Based on our assumption, because we are having small scale of business and low expense cost, we reach the break-even at the first year.

4. Describe and justify all assumptions that you have made in developing your economics report.
    - Assuming that we have a business manufacturing our product for sale to customers rather than just creating a single product for a client

- Assume we rent a building to perform the manufacturing of our product with various costs associated to it
- Assume we have employees to pay for manufacturing our product
- Assume we ship our products to our customers adding a shipping and transportation cost

MakerRepo link:
https://makerepo.com/Nishchal/gripmate