## Case study

### Eco Quads Ltd

*Eco Quads has developed a new quad bike that runs on a petrol/electric system licensed from Honda. It knows from market research that there is a strong demand for the vehicle because of its small size and competitive pricing, and it is installing assembly capacity for up to 2,500 bikes per month. It has prepared the following cost and revenue data for the first 9 months of sales of the bike.*

*The selling price of each bike is $25,000 each. Bikes will be sold to specialised dealers on two months’ credit, initially.*

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Month** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| **Sales forecast** |  | 10 | 30 | 100 | 200 | 500 | 1,000 | 1,200 | 1,400 |

Eco Quads starts its operation and the first ordering of materials with $1 million in the bank

Bikes must be assembled one month before sale at this stage. When Eco Quads become more established it will be able to cut this, and is planning for JIT assembly next year.

Costs are forecasted as follows:

**Parts and materials**: $10,000 per bike, purchased and paid for one month before use.  
**Labour**: $2,000 per bike, paid for at the time of assembly  
**Overheads**: $100,000 per week, paid as cash.

**Individually you are to:**

What does JIT mean?

For the first 9 months of sales, prepare a Cash Flow Forecast

Will Eco Quads need an overdraft facility in this period? If so, how much should be asked for, and when?