**CASH MANAGEMENT EXERCISE**

Emporion Ltd is a company that manufactures reproductions of archaeological objects, made out of bronze and resins, mainly addressed to the tourist market in Greece. Customers are souvenir shops and pay 90 days after delivery. Suppliers collect cash up front.

When starting operations in January, the cash position of Emporion Ltd is 40.000 euros including cash in hand plus bank accounts.

The company produces a wide variety of objects but they have estimated that, on average, every unit is sold at 50 euros. Materials to produce it cost 20 euros. Production takes one month since the order is received. Expected sales are 600 units per month.

General expenses are 3000 euros per month. Payroll and Social Security cost 5000 euros per month, but they are 50% larger in June and December because of salary bonuses.

In August, the company closes for holidays. There are neither sales nor production, but all costs remain, except for raw materials.

1. Calculate the break-even point in units per year.
2. Prepare a cash flow forecast for the first year. Check whether the company needs the help of a bank and for which amount.
3. Take VAT into account. Product and raw materials are sold with a 21% VAT. Other expenses have no deductible VAT. VAT balance is paid next month after each quarter (April, July, October, and January).
4. Check what happens if (each case independently):
   1. Sales grow by 10% a month.
   2. Half the collections take place actually after 120 days.
   3. In May the company finds out there is an unexpected Municipality tax, for an amount of 1200 euros, to be paid immediately.
   4. In June, the company accepts a special order of 1000 units, for a one-off price of 30 euros, to be collected after 120 days.