

Christmas Card sales - validity check on Director of Appeals' proposals

	Director's estimate			Corrected estimate			Page ref.
	No. of packs	Price per pack	Value	No. of packs	Price per pack	Value	
Sales	32,000	£ 1.2500	£ 40,000.00	32,000	£ 1.2500	£ 40,000.00	P28
Cost of sales	32,000	0.9825	31,440.00	31,500		35,486.25	P28 & P29
				500	0.9825	491.25	
	32,000		31,440.00	32,000		35,977.50	P28
Gross profit			8,560.00			4,022.50	
Less surcharge and interest cost (see below)						-783.78	
Profit net of surcharge and interest if 32,000 packs are sold						3,238.72	

Interest calculation - payment with order

The order to Posh Cards must be submitted by 31 March 2007. The average date for selling the cards is 01 December 2007, so CFCT will bear the cost of financing the order for approximately 244 days. P18 & P29

Amount of outlay	£35,977.50	
Interest rate	4.0%	P3
Assumed financing period (days)	244	
Interest cost	£962.03	

Alternative surcharge and interest calculation - payment on delivery

The order to Posh Cards must be submitted by 31 March 2007. Assuming delivery on 30 September, payment can be made then, with a surcharge of 1.5%. The average date for selling the cards is 01 December 2007, so CFCT will still bear the cost of financing the order and surcharge for approximately 61 days. P18 & P29

Surcharge rate	1.5%	
Amount of surcharge	£539.66	
Amount of outlay (including surcharge)	£36,517.16	
Interest rate	4.0%	P3
Assumed financing period (days)	61	
Interest cost	£244.11	
Surcharge and interest cost	£783.78	

Therefore, if an order is placed with Posh Cards, it may be beneficial to stipulate delivery in September and accept the cost of the surcharge.