

Answer on Question #37701 – Economics – Finance

\$110,000 of fixed assets

VC = 71 percent of sales,

FC = \$9,600,

Tax rate = 35 percent.

Year 1 2 3 4 5 sales 28,000 34000 39000 22000 7000

Operating cash flow (OCF) refers to the amount of cash a company generates from the revenues it brings in, excluding costs associated with long-term investment on capital items or investment in securities.

$OCF_4 = 22,000 \times (1 - 0.71) - 9,600 = -\$3,220$  - the operating cash flow for year 4 given the following sales estimates and MACRS depreciation allowance percentages.