




Decision Technology

Modeling, Software and Applications

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Financial Simulation Using @Risk

CASH FLOW FOR GM

GM is trying to estimate the cash flows from a new car that will sell for 5 years. During the current year (year 0) a fixed development cost of \$1.4 billion is incurred and is depreciated on a straight-line basis over the next 5 years.

Year 1 unit sales follow a triangular distribution with a worst case of 100,000 units, most likely case of 150,000, and best case of 170,000.

Sales during years 2-5 are assumed to decay at the same rate each year. This annual decay rate follows a triangular distribution with a best case of 5%, most likely case of 8%, and a worst case of 10%.

Each year a car sells for \$15,000.