

REQUEST AND AUTHORITY FOR CAPITAL EXPENDITURES / RETIREMENTS

REPORTING CLASSIFICATION

DATE APPROVED

JOB ORDER NO.

G1

DIVISION OR COMPANY

SUMMARY OF AMOUNTS

Organic Chemical Division

LOCATION

J.O. CONTROL POINT

Chicago, Ill.

097

JOB TITLE

Purchase company station wagon

DESCRIPTION	LOCAL CURRENCY	U.S. DOLLARS
ESTIMATED PROJECT COST		\$7611
DISMANTLEMENT EXPENSE		
TRANSFER EQUIPMENT		
GROSS AMOUNT FOR APPROVAL		\$7611
LESS TRANSFER EQUIPMENT		
LESS SALVAGE OR TRADE-IN ALLOW.		1000
NET CASH REQUIRED (GOF-3027)		\$6611

RETIREMENT DATA		ECONOMIC JUSTIFICATION		REVISION DETAIL (GROSS AMTS.)			
	AMOUNT		6-YEAR AVG.	REV. #	DATE	AMOUNT	CUM. AUTHORIZATION
COST	5,579	NET SALES		1			
DISMANTLEMENT		NET SAVINGS BEFORE TAXES		2			
LESS SALVAGE	1,000	NET AFTER TAXES		3			
		% ROI (ON TOTAL INVEST.)		4			
		PAYOUT YRS.		5			
TOTAL - CHARGE RESERVE	4,579			6			

DESCRIPTION AND REASONS REQUIRED

Funds of -----\$6611 are requested to purchase a 1980 Chevrolet Malibu station wagon for the Chicago Plant's transportation requirements.

Description

Acq. Cost

Acq. Date

Disposition

Chevrolet Station Wagon

5,579

6/76

To be sold

SUMMARY OF ESTIMATED COST - Details on GOF-3027

ESTIMATE NO.

STARTING DATE

COMPLETION DATE

When approved

ITEM NO.	DESCRIPTION	MATERIALS	LABOR	ENGINEERING	TOTAL
1	Chevrolet station wagon	7,180			7,180
	Illinois Sales & Use Tax	431			431
	Less Salvage	1,000			1,000
	NET CASH REQUIRED	6,611			6,611

ACCOUNTING TREATMENT		RECOMMENDATIONS AND APPROVALS (CHECK BOX)			
ITEM NO.	DEPR. RATE	NAME	REC.	APPR.	DATE
Dr. \$7,180 P. P. & E (2A800)	20%	PROJECT SPONSOR			
Dr. \$ 431 Expense as incurred					
Cr. \$5,579 P. P. & E (61800)					
Dr. \$5,579 Res. for Depr. (61800)					
Cr. \$1,000 Res. for Depr. (67800)					
ACCOUNTING TREATMENT / ECONOMICS APPROVED BY DIV. CONTROLLER (CHECK BOXES)					
POST AUDIT PERIOD	DATE	GENERAL MANAGER			
		VICE-PRESIDENT			

Description and Reasons Required

Funds of -----\$7611 are requested for the purchase of a 1980 Chevrolet Malibu station wagon to be utilized for all the Chicago Plant's transportation requirements.

Present Situation

The only company vehicle at this location, a 1976 Chevrolet Malibu station wagon has been driven 81,000 miles and is in need of extensive maintenance and new tires.

Justification

The vehicle to be replaced, the only one at the Chicago Plant, is used for all transportation needs which include:

- A. All medical requirements for the 30 plant employees at the Falk Clinic located eight miles from the plant.
- B. Pick up of maintenance materials from supply houses 3 to 7 times a week. One way distances range from four to twenty miles.
- C. Banking and postal requirements.
- D. Company authorized business meetings.
- E. Pick-up and transports of plant visitors to and from the airport and/or motels.

Use of personal vehicles at a mileage allowance of 17¢/mile would cost \$2000/year and be inconvenient to the employees involved.

Mr. C.P. Woehrle, corporate transportation, has developed the data for purchase or lease from Z Frank Chevrolet of Chicago.

Details of Proposal

Purchase one Chevrolet Malibu station wagon equipped with:

Automatic transmission
Power steering
Power brakes
Tinted windows
AM Radio
Air conditioning
Radial tires
Side view mirrors

Present company station wagon will be sold separately. \$1,000.

Alternatives Considered

- A. Continued use of the existing vehicle - the car in service is no longer reliable and the plant must have transportation available at all times. Maintenance cost will be high.
- B. Lease rather than purchase - economics favor purchase.

Risks

No operating risks are involved.

Concise Summary

This is a replacement of a physically exhausted company station wagon.

Commercial Factors

This order supports a plant budget for lead stabilizers as follows:

	<u>Sales</u>		<u>Marginal Income</u>		<u>POS</u>	
	<u>Lbs.</u>	\$	\$	%	\$	%
(K\$/Lbs.)						
Actual all stabilizers 1979	8,276	5,594	2,241	37.7	1,553	26.2
Budget all stabilizers 1980	7,850	6,968	2,939	42.2	2,277	32.7
Actual first three-quarter all stabilizers	5,142	3,972	1,281	32.0	1,183	30.0

N12478.01

ECONOMIC JUSTIFICATION
PURCHASE VERSUS LEASE
AUTOMOBILE

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
<u>Purchase</u>						
Sales Tax	431					
Annual Cost - Tax Basis						
Depreciation (Auto)		1,436	2,298	1,508	1,077	646
Maintenance		700	760	820	890	960
Total Cost Before Taxes	(431)	(2,136)	(3,058)	(2,328)	(1,967)	(1,821)
Less Tax 50%	216	1,068	1,529	1,164	984	910
Investment Tax Credit	<u>479</u>					
Net After Tax	264	(1,068)	(1,529)	(1,164)	(983)	(911)
Purchase Cost	(7,180)					
Salvage Value						1,300
Tax on (Over/Under New Capital Cost)						(543)
Less Depreciation		<u>1,436</u>	<u>2,298</u>	<u>1,508</u>	<u>1,077</u>	<u>646</u>
Net Cash Flow	(6,916)	368	769	344	94	492
<u>Lease</u>						
Rental		2,859	2,608	2,358	2,160	360
Maintenance		700	760	820	890	960
Total Cost Before Tax		(3,559)	(3,368)	(3,178)	(3,050)	(1,320)
Less Tax 50%		1,780	1,684	1,589	1,525	660
Investment Tax Credit	<u>479</u>					
Net After Taxes	479	(1,779)	(1,684)	(1,589)	(1,525)	(660)
Purchase Cost						(1)
Salvage Value less Tax						650
Net Cash Flow	<u>479</u>	(1,779)	(1,684)	(1,589)	(1,525)	(11)
Differential Cash Flow	(7,395)	2,147	2,453	1,933	1,619	503

N12478.02

ECONOMIC JUSTIFICATION PURCHASE VERSUS LEASE AUTOMOBILE

	year 0	year 1	year 2	year 3	year 4	year 5
Purchase						
Sales Tax	431					
Annual Cost - Tax Basis Depreciation (Auto)		1436	2298	1588	1077	646
Maintenance		700	760	820	880	960
Total Cost Before Taxes	(1431)	(2136)	(3058)	(2328)	(1967)	(1821)
Lease Tax 50%	216	1668	1559	1164	984	710
Investment Tax Credit	479					
Net After Tax	264	(1068)	(1559)	(1164)	(983)	(911)
Swallow Cost	(7180)					
Salvage Value						1300
Tax on (Over) Under						1573
New Capital Cost						
Annual Depreciation						
Net Cash Flow	(6916)	1436	2298	1588	1077	646
Lease						
Rental		368	769	344	97	472
Maintenance		700	760	820	880	960
Total Cost Before Tax		(3559)	(3368)	(3178)	(3050)	(1320)
Lease Tax 50%		1780	1684	1589	1525	1460
Investment Tax Credit	479					
Net After Taxes	479	(1779)	(1684)	(1589)	(1505)	(160)
Swallow Cost						
Salvage Value Less Tax						(1)
Net Cash Flow	479	(1779)	(1684)	(1589)	(1505)	(160)
Differential Cash Flow	(1395)	2147	2453	1933	1619	503

Rental Vato

\$ 238.22 / month - 1st year

217.34 / month - 2nd year

196.46 / month - 3rd year

180.00

180.00

~~400~~

14th

2854

2% MO.
6.8%