

(Q6 a)

PROBLEM STATEMENT:-

To earn profit by investing your money

PROBLEM EVALUATION & FORMULATION

- A business investment of option is available that has earning capacity of 5% per year.
- Another option is to purchase a much needed raw material for our product that is available in \$3000 & that has inflation rate of 9% per year
- We should buy the investment option of \$4000 & earn 5% profit much needed raw material

SYNTHESIS OF POSSIBLE ALTERNATIVES:-

Case 1:- Earning from the investment opportunity of \$4000 is

$$\frac{5}{100} \times 4000 = \$200$$

for 5 year period = $200 \times 5 = \$1000$

Case 2:- Investment \$3000 in buying raw material caused.

$$\frac{9}{100} \times 3000 \Rightarrow \$270$$

\$270 is lossing per year.

SELECTION CRITERIA

Our selection must follow following criteria.

⇒ focus on differences

⇒ Constant overview

⇒ Use common unit of measures.

SPECIFICATION OF SELECTIVE ALTERNATIVES:-

⇒ We are going to invest our money in case ① of possible alternat because we are earning 200\$ per year & if we invest in case ② the there will be loss of \$270 each year. In ②nd case there is also a risk factor because after investing our money in raw material how much we earn is unknow.