

The production simulation allows you to see how your demand estimates and production decisions will affect your production operations and your production costs. It will also allow you to project your pro-forma financial statements.

### **YOUR TASK**

In the Workspace, load all of the estimates and decisions that you have made so far. These will include the average price of each brand (imported from your Pricing decision), your demand estimates, and production decisions.

Next, calculate your demand fulfillment, projected production costs, and capacity utilization. Observe your unit production costs and compare them to your selling price. Also, note the number of stock outs or the amount of excess capacity your operation is likely to experience.

With the production simulation, you can change all of the demand forecasts and manufacturing setup decisions and see how they impact your costs, sales, and inventory levels. Your goals are to minimize costs, stock-outs, and inventory while maximizing sales.

Once you save your production simulation data, you will be able to use it to project your financial situation in the Pro Forma Accounting step.

### **DECISION TIP**

Feel free to change the projected demand and run the production simulation again. You may wish to run several different scenarios to see how your financial position changes with different demand estimates.

