

Task on financial analysis: dakota or nakoi

[Finance](#), [Financial Analysis](#)



I. Problem Statement

Which plywood press should Mr. Parker choose: Dakota or Nakoi? II. Case Review

The case is focused to Pete Parker, the CEO of Franklin Lumber who wants to expand the division production capability of Plywood Press leading to the hiring of Courtney Jones. Courtney Jones was hired in order to perform a financial evaluation on two new machines that he is considering and to critic the company's capital budgeting policies. The top choices for the expansion of Plywood Press are Nakoi which cost \$750, 000 and Dakota worth \$ 1, 300, 000 and Dakota has also three advantages against Nakoi: it is a bit faster its daily production rate is higher; labor costs will be lower since it is easier to operate and it is a more state-of-the-art press. III. Alternatives

The project in the case in terms of relationship is mutually exclusive. Since, Parker and Jones cannot choose both Dakota and Nakoi because the purchase of the Plywood Press in both machines will maximize the cost of the company and there is a probability that it won't be successful. If they purchase Dakota, there is a chance that the press would last longer even if it is expensive. But if they purchase Nakoi, it is cheaper but it does not guarantee if it will last long.

IV. Key Decision Criteria

CRITERIA

DAKOTA

NAKOI

Improve profitability

Increase sales, market share or return on investment

Maintain customer satisfaction, corporate image

Be consistent with the corporate mission or strategy

Within our present (our future) resources and capabilities

Within acceptable risk parameters

Ease or speed of implementation

Employee morale, safety, or turnover

Retain flexibility and/or

Minimize environmental impact

V. Evaluation of Alternatives

NAKOI

DAKOTA

Advantages

Cheaper

Faster and production rate is higher

Easier to operate which can lead to lower labor cost

More state of the art press

Disadvantages

Short life p

There might be an increase in inventory because of fast production

Illustration 1 shows the advantages and disadvantages of Nakoi and Dakota Company.

Illustration II

NAKOI

DAKOTA

Price

Low

High

Durability

Low

High

Profitability

High

High

Lifep

Low

High

Illustration II shows the classification of Nakoi and Dakota Company.

VI.

Recommendation

We recommend the company to acquire the Dakota product because it is more advance than Nakoi. Even though it is more expensive, we can say that it is more long-lasting than Nako. There is no assurance that Nakoi can satisfy the needs of the consumers, unlike in Dakota, it was said that it is faster and easier to operate. Nakoi's materials might not be in good quality

unlike in Dakota, it is proven that it is a more state-of-the-art press. We should invest our money on the products that we assure benefits like purchasing Dakota. Even if it is nearly twice expensive as Nakoi, Dakota assures a very long time of functioning, it is long time, while in Nakoi, the company can also save but only in short term basis. It is better to invest in a long term guarantee of saving than in a shorter term of saving.