

Electric cars in the us



DQ1 The news that Americans are driving less is not surprising. During the last three to six months the price of gasoline has been going up on a weekly basis. A person puts gas and by the time they put gas again a few days later the price has gone up. A piece of news from the article that was discouraging was the fact that gasoline prices are not going to go down even if the demand for gasoline does down because the demand for crude oil worldwide is going up. China is the biggest contributor to the rise in demand for crude oil. The growth of China is bigger than what people think. I recently read an article that stated that the imports of China of US goods had gone up 468% since 2000. As the Chinese have increased their income per capita so has their desire to spend money on consumer products. The industrial activity of China and the fact that China is importing a lot of vehicles are the two primary reasons for their higher consumption of petroleum. It was interesting that the sales of the Sonata and the Electra had gone up 55%. I wonder what will be the impact in the market of the Chevy Volt which has the capability of giving upwards of 200 mpg. We are currently at virtually \$4 a gallon, if the prices go up to \$5 a gallon as the article implied drivers in America will continue to look for ways to reduce their driving patterns. Options such as car pooling to work and using public transportation are great ways to save money on gas. Due to the trend of higher gasoline prices in the near future the Big Three have to design more cars that are capable of better mpg ratings.

DQ2 The accuracy of both budgets and forecasts are extremely important in capital budgeting decisions. For example a project has a forecast of \$1 million in revenues in one year. The company or an investor based on that forecast makes a decision of whether to take on the project or whether the project should be rejected. If the project requires \$700, 000

investment and the project is suppose to generate \$1 million the profitability of the project would be \$300, 000. If the sales forecast is off and the project ends of generating \$650, 000 instead of a \$1, 000, 000 the end result would be a \$50, 000 loss. It is essential for sales forecast to be accurate and reliable. The budgets for capital projects are also very important. If a project has a budget that is not accurate it is possible for the project to run out of money due to the inaccurate budgeting. A lack of cash could shutdown a project. A few years ago I was involved in a project that due to inaccurate budgeting it ran out of money. The company had to shut down operations due to the inaccurate budgeting forecast. It is my opinion that it is easier to make mistakes forecasting sales than forecasting budgets.