

Ferryman Example 1 (Cash Flow Diagrams)



In 2004, Ferryman Company, a titanium producer in Pennsylvania, expanded its operations with the purchase of a rolling mill for \$10 million. The mill produced 4 million pounds of output per year for the next 10 years. Each pound of output generated \$9.00 in revenue while costing \$4.00 to produce. Assume that operating and maintenance (O&M) costs were \$10 million the first year and grew by \$1 million per year after that. At the end of the 10 years, the mill was sold for scrap for \$500,000. Draw the cash flow diagram for Ferryman's investment in the rolling mill.