

FINAL ASSESSMENT — COMPLETE MASTER BUDGET REPORT

Tesla Final Master Budget 2025–2027

Fifteen linked steps from the quarterly operating budget through variance analysis, capital appraisal, annual cash planning and the three pro forma financial statements.

PLANNING HORIZON

2025–27

twelve operating quarters

REPRESENTATIVE
SEGMENT**Auto + Services**

vehicle-equivalent unit

CAPITAL PROJECT NPV

\$1,051M

10% planning WACC

FY2027 CLOSING CASH

\$3,564M

cash budget = CF = BS

Operating schedules use one representative Auto + Services vehicle-equivalent. Annual pro forma statements present the whole company. Variance analysis covers Q1 FY2025 only and uses explicitly labelled illustrative actuals, as required by the final assessment brief.

Group Members

Abdel Rahim Abdel Nasser Abdellah Abdel Rahim

Ahmed Mohamed Mansour Ibrahim

Noor Moneir Mohamed Elshimi

Hala Nagi Mahmoud Abdou Taha

Abdelmoneim Alaa Abdelmoneim Abdelrahman

Ereny Latief Gawarge Megala

Nourhan Nagi Mahmoud Abdou Taha

Report Architecture and Scope

The report follows the fifteen-step sequence in the final assessment brief. Every operating standard originates in the assumptions register, every variance actual is illustrative, and every annual statement is linked through cash and equity roll-forwards.

REPORT SCOPE

Whole company
+
representative
segment

Scope is stated on every schedule

OPERATING BUDGET

Quarterly

Four quarters for each of 2025,
2026 and 2027

FINANCIAL STATEMENTS

Annual

Income statement, cash flow and
balance sheet

WORKBOOK STRUCTURE

Five sheets
maximum

Inputs, operating, variance, capital,
statements

SCOPE CONVENTION

Auto + Services is used for unit-based operating mechanics because it provides the clearest representative activity driver. Whole-company annual statements preserve consolidated revenue, cost and operating expenses. The segment-to-company translation is shown after Step 8.

Fifteen-Step Sequence

#	STEP	PRIMARY OUTPUT	FEEDS INTO	WORKBOOK SHEET
1	Sales budget	Quarterly units and Average Selling Price	2, 8	Operating Budget
2	Production budget	Sales + closing Finished Goods - opening Finished Goods	3, 4, 5	Operating Budget
3	Direct materials budget	Material usage, purchases and purchase cost	6, 11	Operating Budget
4	Direct labour budget	Hours, wage and labour cost	6, 11	Operating Budget
5	Manufacturing overhead budget	Variable + fixed overhead, including depreciation	6, 11, 13	Operating Budget
6	Budgeted unit cost and Cost of Goods Sold	Unit cost, Cost of Goods Manufactured, Cost of Goods Sold	7, 8	Operating Budget
7	Selling, General and Administrative budget	Variable + fixed period cost	8	Operating Budget
8	Budgeted operating Profit and Loss	Quarterly and annual segment operating income	9, 12	Operating Budget
9	Variance analysis - FY2025	Static/flexible, sales/cost variances, bridge	Control	Variance Analysis
10	Capital budget	Payback, discounted payback, NPV, IRR	11, 13	Capital Appraisal
11	Cash budget	Annual receipts, payments and closing cash	12, 13, 14	Financial Statements
12	Pro forma income statement	Annual net income	13, 14	Financial Statements
13	Pro forma cash-flow statement	Operating, investing and financing cash	14	Financial Statements
14	Pro forma balance sheet	Assets = liabilities + equity	15	Financial Statements
15	Reconciliation and defence	All bridges and statement interlocks	Final review	Financial Statements

Report Sections

1. Assumptions, sources and five-sheet model architecture

2. Steps 1-8: quarterly operating budget, 2025-2027

3. Step 9: FY2025 illustrative variance analysis
4. Step 10: capital appraisal using four investment criteria

5. Step 11: annual cash budget and working-capital bridge

6. Steps 12-14: annual pro forma statements

7. Step 15: reconciliations, interlocks and defence controls

Assumptions and Model Discipline

All input values are centralised on Sheet 1. Calculated outputs are formula-linked; no downstream result is typed directly into a schedule.

Five-Sheet Workbook Structure

SHEET	COVERAGE	REQUIRED CONTENTS
1. Assumptions and Drivers	Inputs to all steps	Price, units, unit-cost shares, inventory policies, tax, WACC and sources
2. Operating Budget	Steps 1-8	Twelve quarters: sales, production, materials, labour, overhead, unit cost, SG&A and operating P&L
3. Variance Analysis	Step 9	2025 only: static/flexible, sales, material, labour, overhead, SG&A and OI bridge
4. Capital Appraisal	Step 10	Project cash flows, payback, discounted payback, NPV and IRR
5. Financial Statements	Steps 11-15	Annual cash budget, pro forma IS/CF/BS and reconciliation checks

Assumption Register

INPUT	VALUE	CLASSIFICATION	SOURCE / BASIS
Planning horizon	FY2025-FY2027	GIVEN	Final Assessment Brief
Statement basis	FY2025 reported-anchor budget; FY2026-FY2027 pro forma	ASSUMED	FY2025 uses reported anchors but cash, balance sheet and variance remain budget/model outputs
Representative segment	Auto + Services; one vehicle-equivalent	ASSUMED	Largest operating segment and observable production/delivery driver
FY2025 reported unit sales	1,636,129	REPORTED	Tesla delivery base
FY2026-FY2027 unit sales	1,670,000 / 1,754,000	ASSUMED	Tesla FY2025 delivery base plus conservative planning growth assumption
FY2028 Q1 sales input	423,591	ASSUMED	Required to calculate FY2027 closing Finished Goods and Raw Materials buffers
FY2025 company revenue / COGS	\$94,827M / \$77,733M	REPORTED	Reported anchor for the first budget year
FY2026-FY2027 revenue / COGS	\$95,023M / \$77,919M; \$99,774M / \$81,815M	ASSUMED	Formula-linked planning years
FY2025 R&D / SG&A / restructuring	\$6,411M / \$5,834M / \$494M	REPORTED	Reported company-level period costs
FY2026-FY2027 R&D / SG&A / restructuring	\$7,693M / \$6,126M / \$247M; \$7,963M / \$6,257M / \$130M	ASSUMED	Planning-year period-cost assumptions
Quarterly sales mix	23% / 24% / 25% / 28%	ASSUMED	Tesla quarterly delivery seasonality; Q4-weighted pattern
Finished-goods policy	10% minimum of next-quarter sales	ASSUMED	Lean safety-stock floor; selected quarters carry extra Finished Goods to smooth production capacity
Raw-material policy	8% of next-quarter production	ASSUMED	Separates material usage from supplier purchases
Direct Materials / Direct Labour / Manufacturing Overhead	60% / 10% / 30% of unit cost	ASSUMED	Argonne, ICCT and Oliver Wyman EV cost/labour sources; components rebuild total cost
Direct labour standard	50 hours per vehicle-equivalent	ASSUMED	Oliver Wyman labour-cost benchmark adjusted for Tesla vertical integration
Variable Selling, General and Administrative share	15%	ASSUMED	Delivery and selling costs flex; corporate/admin base is mainly fixed
Interest income / expense	FY2025 \$1,680M/\$338M; FY2026 \$1,200M/\$300M; FY2027 \$1,250M/\$650M	ASSUMED	Interest income and expense are shown separately, not netted as a cost
Other income / expense	-\$419M in FY2025; \$0M thereafter	REPORTED	Reported 2025 other expense, net, then no planning item
Tax rate / cash-tax assumption	FY2025 tax expense \$1,423M; SEC cash taxes paid reference \$1,232M; 21% FY2026-FY2027	ASSUMED	Cash budget assumes cash tax equals tax expense; SEC disclosed FY2025 cash taxes paid net of refunds were \$1,232M
Depreciation	\$5,200M / \$6,100M / \$6,800M	ASSUMED	Annual non-cash manufacturing overhead and PP&E roll-forward input
Capital expenditure	\$12,000M / \$20,000M / \$10,500M	ASSUMED	FY2026 includes \$2,600M project outlay and meets the \$20B disclosed-outlook floor
Project commissioning	Operations begin after FY2027; asset held in construction in progress through FY2027	ASSUMED	Avoids mixing Step 10 appraisal cash flows into 2026-2027 operating budgets
Project incremental units	107,848, 103,033, 98,217, 93,402, 88,586	ASSUMED	Used only in Step 10 appraisal years after commissioning
Dividends	\$0M each year	REPORTED	Tesla has no cash-dividend planning assumption in this model
Debt repayment / financing draw	\$200M repayment per year; draws calculated from \$3,500M minimum cash policy	ASSUMED	Draw = ROUNDUP(max(0, minimum cash - cash before financing), \$100M)
Receivables / payables treatment	10% receivables policy; payables are direct planning assumptions	ASSUMED	Receivables formula-linked; payables labelled as direct assumptions
Opening cash / inventory	\$16,139M cash; \$12,017M total inventory	REPORTED	Uses total inventory, not finished-goods inventory only

INPUT	VALUE	CLASSIFICATION	SOURCE / BASIS
Opening balance sheet	Cash, receivables, total inventory, PP&E, other assets, payables, debt and other liabilities	REPORTED	Opening simplified total equity is derived from the sourced balance-sheet equation
Other assets / other liabilities	\$53,660M / \$27,703M fixed planning values	ASSUMED	Aggregated accounts retained to keep whole-company scale
Planning WACC	10%	ASSUMED	4.0% risk-free rate, beta 1.30, 5.2% market premium and 5.0% pre-tax debt cost
Variance actuals	Q1 FY2025 deviations	ILLUSTRATIVE	Permitted by the final brief; not presented as Tesla reported actuals

MODEL DISCIPLINE

Inputs are centralised; formulas are linked; the operating-income bridge, cash-flow bridge and balance-sheet equation must all close. Figures are classified as reported, assumed, calculated, illustrative or check values.

Sources and Accounting Conventions

The source register identifies where each input originates. The accounting conventions ensure that product costs, period costs, cash flows and statement classifications remain consistent.

Source Register

ID	REFERENCE	MODEL USE
SRC-01	Tesla FY2025 Form 10-K	Company revenue, Cost of Goods Sold, operating expenses and balance-sheet anchors
SRC-02	Tesla FY2024 Form 10-K	Opening position and comparative base
SRC-03	Tesla quarterly Production and Delivery releases	Unit volume and quarterly phasing basis
SRC-04	Session 3 Student Guide	Steps 1-8 operating-budget formulas
SRC-05	Session 4 Post-Class Guide	Variance, capital, cash and pro forma methodology
SRC-06	Final Assessment Preparation Brief	Fifteen-step scope, three-year horizon and five-sheet rule
SRC-07	Argonne National Laboratory, Modeling the Performance and Cost of Lithium-Ion Batteries for Electric-Drive Vehicles, Third Edition, 2019; BatPaC webpage	Battery/material cost and manufacturing-cost structure support
SRC-08	ICCT, Assessment of Light-Duty Electric Vehicle Costs and Consumer Benefits in the U.S. in the 2022-2035 Time Frame, 18-Oct-2022; RSM, Slowing U.S. EV Sales..., 2023	EV component and battery-cost context for managerial cost split
SRC-09	Oliver Wyman, Why Automakers Must Focus on Labor Cost Per Vehicle, Apr-2025; Effective Strategies to Transform Automotive Manufacturing, Nov-2024	Labour-cost-per-vehicle and Harbour Report productivity context

Accounting Treatment Rules

ITEM	TREATMENT
Direct Materials and Direct Labour	Product costs; included in unit cost, inventory and Cost of Goods Sold.
Manufacturing Overhead	Product cost; variable and fixed components included in unit cost.
Selling, General and Administrative	Period cost; deducted after gross profit and never included in inventory.
Research and Development	Company-level period cost in the consolidated pro forma income statement.
Depreciation	Included in Manufacturing Overhead and profit; added back in cash flow because it is non-cash.
Capital expenditure	Investing cash outflow; increases property, plant and equipment.
Dividends and debt repayment	Financing cash outflows; dividends are zero in this Tesla plan and debt repayment reduces debt.
Working capital	Receivables + inventory - payables; an increase reduces operating cash.

Data Classification

CLASSIFICATION	MEANING
REPORTED	Audited filing, Tesla investor release or guide-specified value.
ASSUMED	Planning input requiring a stated and verifiable basis.
CALCULATED	Formula result derived from visible inputs.
ILLUSTRATIVE	Actual deviation used only for FY2025 variance analysis.
PASS	Accounting identity or model reconciliation that closes.

Core Formula Map

SCHEDULE	FORMULA
Sales	Units x Average Selling Price
Production	Sales + closing Finished Goods - opening Finished Goods
Materials purchases	Usage + closing Raw Materials - opening Raw Materials
Direct Labour	Production x hours per unit x wage rate
Manufacturing Overhead	Fixed overhead + variable rate x activity
Cost of Goods Sold	Opening Finished Goods + Cost of Goods Manufactured - closing Finished Goods
Cash from Operations	Net income + depreciation - increase in working capital
Balance sheet	Assets = liabilities + simplified total equity

SIGN, ROUNDING AND UNITS

Unless otherwise stated, monetary amounts are USD millions and per-unit amounts are USD. Parentheses indicate deductions or cash outflows. Calculations retain full precision; tables display rounded amounts, so a displayed component sum may differ by less than \$1M while the underlying workbook check remains zero.

Phase I — Quarterly Operating Budget

01 SALES	02 PRODUCE	03 MATERIALS	04 LABOUR	05 MOH	06 COST / COGS	07 SG&A	08 P&L
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STEPS 1-8

The operating budget begins with quarterly sales and follows the dependency chain through production, materials, labour, Manufacturing Overhead, unit cost, Cost of Goods Sold, Selling, General and Administrative expense and operating income. All twelve quarters are formula-linked.

FY2025 UNIT SALES 1,636,129 reported delivery base	FY2026 SEGMENT REVENUE \$82,226M company plan x segment mix	FY2027 SEGMENT OI \$8,697M representative segment	UNIT COST RANGE \$41,113-\$41,558 2025-2027
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Step 1 - Sales Budget

The sales budget establishes the activity driver for every downstream schedule. Average Selling Price is a vehicle-equivalent planning measure: Auto + Services revenue divided by representative units, not a vehicle sticker price.

SALES BUDGET FORMULA
Budgeted revenue = budgeted unit sales x Average Selling Price
FY2026: 1,670,000 x \$49,237 = \$82,226M
\$82,226M

Sales budget - FY2025

LINE	Q1	Q2	Q3	Q4	FY2025
Budgeted unit sales	376,310	392,671	409,032	458,116	1,636,129
Average Selling Price	\$50,153	\$50,153	\$50,153	\$50,153	\$50,153
= Budgeted revenue	\$18,873M	\$19,693M	\$20,514M	\$22,976M	\$82,056M

Revenue = units sold x Average Selling Price. Source: company revenue scenario, Auto + Services share and quarterly mix assumption.

Sales budget - FY2026

LINE	Q1	Q2	Q3	Q4	FY2026
Budgeted unit sales	384,100	400,800	417,500	467,600	1,670,000
Average Selling Price	\$49,237	\$49,237	\$49,237	\$49,237	\$49,237
= Budgeted revenue	\$18,912M	\$19,734M	\$20,556M	\$23,023M	\$82,226M

Revenue = units sold x Average Selling Price. Source: company revenue scenario, Auto + Services share and quarterly mix assumption.

Sales budget - FY2027

LINE	Q1	Q2	Q3	Q4	FY2027
Budgeted unit sales	403,420	420,960	438,500	491,120	1,754,000
Average Selling Price	\$49,223	\$49,223	\$49,223	\$49,223	\$49,223
= Budgeted revenue	\$19,858M	\$20,721M	\$21,584M	\$24,174M	\$86,337M

Revenue = units sold x Average Selling Price. Source: company revenue scenario, Auto + Services share and quarterly mix assumption.

CONTROL INTERPRETATION

The Q4 weighting is highest in every year. Production and labour capacity are therefore reviewed by quarter rather than only on an annual total.

Step 2 - Production Budget

Production differs from sales whenever the Finished Goods buffer changes. The model keeps a 10% minimum buffer and moves some Q4 work into spare earlier quarters so each period stays within the 22M labour-hour limit.

PRODUCTION FORMULA

Units to produce = sales + desired closing Finished Goods - opening Finished Goods

FY2026: 1,670,000 + 40,342 - 38,410 = 1,671,932

1,671,932

Production budget - FY2025

LINE	Q1	Q2	Q3	Q4	FY2025
Budgeted sales	376,310	392,671	409,032	458,116	1,636,129
+ Closing Finished Goods	39,267	40,903	56,526	38,410	38,410
- Opening Finished Goods	(37,631)	(39,267)	(40,903)	(56,526)	(37,631)
= Units to produce	377,946	394,307	424,655	440,000	1,636,908

Units to produce = sales + closing Finished Goods - opening Finished Goods; smoothing keeps quarterly labour at or below capacity.

Production budget - FY2026

LINE	Q1	Q2	Q3	Q4	FY2026
Budgeted sales	384,100	400,800	417,500	467,600	1,670,000
+ Closing Finished Goods	40,080	45,442	67,942	40,342	40,342
- Opening Finished Goods	(38,410)	(40,080)	(45,442)	(67,942)	(38,410)
= Units to produce	385,770	406,162	440,000	440,000	1,671,932

Units to produce = sales + closing Finished Goods - opening Finished Goods; smoothing keeps quarterly labour at or below capacity.

Production budget - FY2027

LINE	Q1	Q2	Q3	Q4	FY2027
Budgeted sales	403,420	420,960	438,500	491,120	1,754,000
+ Closing Finished Goods	72,939	91,979	93,479	42,359	42,359
- Opening Finished Goods	(40,342)	(72,939)	(91,979)	(93,479)	(40,342)
= Units to produce	436,017	440,000	440,000	440,000	1,756,017

Units to produce = sales + closing Finished Goods - opening Finished Goods; smoothing keeps quarterly labour at or below capacity.

INVENTORY POLICY

The 10% buffer is the minimum safety-stock policy. The workbook increases selected earlier-quarter Finished Goods temporarily to smooth Q4 production into available capacity.

Steps 3-5 — Resource Budgets

01 SALES	02 PRODUCE	03 MATERIALS	04 LABOUR	05 MOH	06 COST / COGS	07 SG&A	08 P&L
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Step 3 - Direct Materials Budget

One composite material kit represents the battery, cells, metals, electronics and purchased components in one vehicle-equivalent. Usage builds unit cost; purchases build supplier cash requirements.

MATERIAL USAGE
Kits used = units to produce x 1 kit per unit
FY2026 usage: 1,671,932 x 1 = 1,671,932 kits

MATERIAL PURCHASES
Kits purchased = kits used + closing Raw Materials - opening Raw Materials
FY2026: 1,671,932 + 34,881 - 30,862 = 1,675,951
1,675,951

Direct materials budget - FY2025					
LINE	Q1	Q2	Q3	Q4	FY2025
Units to produce / kits used	377,946	394,307	424,655	440,000	1,636,908
+ Closing Raw Materials	31,545	33,972	35,200	30,862	30,862
- Opening Raw Materials	(30,236)	(31,545)	(33,972)	(35,200)	(30,236)
= Kits purchased	379,255	396,734	425,883	435,662	1,637,534
Direct Materials usage cost	\$9,424M	\$9,832M	\$10,589M	\$10,971M	\$40,816M
= Purchase cost	\$9,457M	\$9,892M	\$10,619M	\$10,863M	\$40,832M

One composite material kit per vehicle-equivalent; kit standard = \$24,935.

Direct materials budget - FY2026					
LINE	Q1	Q2	Q3	Q4	FY2026
Units to produce / kits used	385,770	406,162	440,000	440,000	1,671,932
+ Closing Raw Materials	32,493	35,200	35,200	34,881	34,881
- Opening Raw Materials	(30,862)	(32,493)	(35,200)	(35,200)	(30,862)
= Kits purchased	387,401	408,869	440,000	439,681	1,675,951
Direct Materials usage cost	\$9,550M	\$10,055M	\$10,893M	\$10,893M	\$41,391M
= Purchase cost	\$9,591M	\$10,122M	\$10,893M	\$10,885M	\$41,491M

One composite material kit per vehicle-equivalent; kit standard = \$24,757.

Direct materials budget - FY2027					
LINE	Q1	Q2	Q3	Q4	FY2027
Units to produce / kits used	436,017	440,000	440,000	440,000	1,756,017
+ Closing Raw Materials	35,200	35,200	35,200	33,887	33,887
- Opening Raw Materials	(34,881)	(35,200)	(35,200)	(35,200)	(34,881)
= Kits purchased	436,336	440,000	440,000	438,687	1,755,023
Direct Materials usage cost	\$10,756M	\$10,854M	\$10,854M	\$10,854M	\$43,317M
= Purchase cost	\$10,763M	\$10,854M	\$10,854M	\$10,821M	\$43,293M

One composite material kit per vehicle-equivalent; kit standard = \$24,668.

CASH LINK
Direct Materials usage enters unit cost and Cost of Goods Sold. Company Direct Materials share, inventory movement and direct payables assumptions drive supplier cash payments.

Step 4 - Direct Labour Budget

Direct Labour converts production units into labour hours and cost. The standard represents all-in production labour, including normal employment add-ons.

DIRECT LABOUR FORMULA

Direct Labour cost = units to produce x hours per unit x wage rate

FY2026: 1,671,932 x 50 x \$82.52 = \$6,899M

\$6,899M

Direct labour budget - FY2025

LINE	Q1	Q2	Q3	Q4	FY2025
Units to produce	377,946	394,307	424,655	440,000	1,636,908
Labour hours	18.897M	19.715M	21.233M	22.000M	81.845M
All-in wage rate	\$83.12	\$83.12	\$83.12	\$83.12	\$83.12
= Direct Labour cost	\$1,571M	\$1,639M	\$1,765M	\$1,829M	\$6,803M
Capacity signal (22M hrs/qtr)	+3.103M	+2.285M	+0.767M	+0.000M	All quarters within capacity

Labour cost = production x 50 hours per unit x all-in wage rate.

Direct labour budget - FY2026

LINE	Q1	Q2	Q3	Q4	FY2026
Units to produce	385,770	406,162	440,000	440,000	1,671,932
Labour hours	19.288M	20.308M	22.000M	22.000M	83.597M
All-in wage rate	\$82.52	\$82.52	\$82.52	\$82.52	\$82.52
= Direct Labour cost	\$1,592M	\$1,676M	\$1,815M	\$1,815M	\$6,899M
Capacity signal (22M hrs/qtr)	+2.712M	+1.692M	+0.000M	+0.000M	All quarters within capacity

Labour cost = production x 50 hours per unit x all-in wage rate.

Direct labour budget - FY2027

LINE	Q1	Q2	Q3	Q4	FY2027
Units to produce	436,017	440,000	440,000	440,000	1,756,017
Labour hours	21.801M	22.000M	22.000M	22.000M	87.801M
All-in wage rate	\$82.23	\$82.23	\$82.23	\$82.23	\$82.23
= Direct Labour cost	\$1,793M	\$1,809M	\$1,809M	\$1,809M	\$7,220M
Capacity signal (22M hrs/qtr)	+0.199M	+0.000M	+0.000M	+0.000M	All quarters within capacity

Labour cost = production x 50 hours per unit x all-in wage rate.

CAPACITY RESPONSE

Production smoothing is built into the quarterly production schedule. Every quarter is at or below the 22M labour-hour limit, so no overtime premium is budgeted.

Step 5 - Manufacturing Overhead Budget

Manufacturing Overhead contains factory costs not directly traceable as materials or labour. Variable overhead flexes with labour hours; fixed overhead includes depreciation and committed plant capacity.

MANUFACTURING OVERHEAD FORMULA

Total Manufacturing Overhead = fixed overhead + variable overhead rate x labour hours

FY2026: \$9,435M + \$11,261M = \$20,696M

\$20,696M

Manufacturing overhead budget - FY2025

LINE	Q1	Q2	Q3	Q4	FY2025
Labour hours	18.897M	19.715M	21.233M	22.000M	81.845M
Variable Manufacturing Overhead	\$2,597M	\$2,709M	\$2,918M	\$3,023M	\$11,248M
Fixed Manufacturing Overhead	\$2,290M	\$2,290M	\$2,290M	\$2,290M	\$9,160M
= Total Manufacturing Overhead	\$4,887M	\$4,999M	\$5,208M	\$5,313M	\$20,408M
Overhead per unit	\$12,931	\$12,679	\$12,264	\$12,076	\$12,467

Variable rate = \$137.43 per labour hour; fixed overhead includes depreciation and committed capacity cost.

Manufacturing overhead budget - FY2026

LINE	Q1	Q2	Q3	Q4	FY2026
Labour hours	19.288M	20.308M	22.000M	22.000M	83.597M
Variable Manufacturing Overhead	\$2,598M	\$2,736M	\$2,963M	\$2,963M	\$11,261M
Fixed Manufacturing Overhead	\$2,359M	\$2,359M	\$2,359M	\$2,359M	\$9,435M
= Total Manufacturing Overhead	\$4,957M	\$5,094M	\$5,322M	\$5,322M	\$20,696M
Overhead per unit	\$12,850	\$12,543	\$12,096	\$12,096	\$12,378

Variable rate = \$134.70 per labour hour; fixed overhead includes depreciation and committed capacity cost.

Manufacturing overhead budget - FY2027

LINE	Q1	Q2	Q3	Q4	FY2027
Labour hours	21.801M	22.000M	22.000M	22.000M	87.801M
Variable Manufacturing Overhead	\$2,965M	\$2,992M	\$2,992M	\$2,992M	\$11,941M
Fixed Manufacturing Overhead	\$2,430M	\$2,430M	\$2,430M	\$2,430M	\$9,718M
= Total Manufacturing Overhead	\$5,394M	\$5,421M	\$5,421M	\$5,421M	\$21,659M
Overhead per unit	\$12,372	\$12,321	\$12,321	\$12,321	\$12,334

Variable rate = \$136.00 per labour hour; fixed overhead includes depreciation and committed capacity cost.

DEPRECIATION TREATMENT

Depreciation remains inside product cost and the income statement. It is removed from cash payments and added back in the indirect cash-flow statement because it is non-cash.

Steps 6-8 — Costing and Operating Profit

01 SALES	02 PRODUCE	03 MATERIALS	04 LABOUR	05 MOH	06 COST / COGS	07 SG&A	08 P&L
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Step 6 - Budgeted Unit Cost and Cost of Goods Sold

YEAR	DIRECT MATERIALS	DIRECT LABOUR	MANUFACTURING OVERHEAD	ABSORPTION UNIT COST
2025	\$24,935	\$4,156	\$12,467	\$41,558
2026	\$24,757	\$4,126	\$12,378	\$41,261
2027	\$24,668	\$4,111	\$12,334	\$41,113

UNIT COST FORMULA
Absorption unit cost = Direct Materials + Direct Labour + Manufacturing Overhead
FY2026: \$24,757 + \$4,126 + \$12,378 = \$41,261
\$41,261

YEAR	COST OF GOODS MANUFACTURED	OPENING FINISHED GOODS	CLOSING FINISHED GOODS	COST OF GOODS SOLD	CHECK
2025	\$68,027M	\$1,564M	\$1,596M	\$67,994M	\$0M
2026	\$68,986M	\$1,585M	\$1,665M	\$68,906M	\$0M
2027	\$72,195M	\$1,659M	\$1,742M	\$72,112M	\$0M

COST OF GOODS SOLD BRIDGE
Opening Finished Goods + Cost of Goods Manufactured - closing Finished Goods = Cost of Goods Sold
FY2026: \$1,585M + \$68,986M - \$1,665M = \$68,906M
\$68,906M

Unit cost and Cost of Goods Sold - FY2025					
LINE	Q1	Q2	Q3	Q4	FY2025
Cost of Goods Manufactured	\$15,707M	\$16,387M	\$17,648M	\$18,286M	\$68,027M
Opening Finished Goods value	\$1,564M	\$1,632M	\$1,700M	\$2,349M	\$1,564M
Closing Finished Goods value	(\$1,632M)	(\$1,700M)	(\$2,349M)	(\$1,596M)	(\$1,596M)
= Cost of Goods Sold	\$15,639M	\$16,319M	\$16,999M	\$19,038M	\$67,994M
Identity check	\$0M	\$0M	\$0M	\$0M	\$0M

The same absorption unit cost values production, Cost of Goods Sold and Finished Goods inventory.

Unit cost and Cost of Goods Sold - FY2026					
LINE	Q1	Q2	Q3	Q4	FY2026
Cost of Goods Manufactured	\$15,917M	\$16,759M	\$18,155M	\$18,155M	\$68,986M
Opening Finished Goods value	\$1,585M	\$1,654M	\$1,875M	\$2,803M	\$1,585M
Closing Finished Goods value	(\$1,654M)	(\$1,875M)	(\$2,803M)	(\$1,665M)	(\$1,665M)
= Cost of Goods Sold	\$15,848M	\$16,537M	\$17,226M	\$19,294M	\$68,906M
Identity check	\$0M	\$0M	\$0M	\$0M	\$0M

The same absorption unit cost values production, Cost of Goods Sold and Finished Goods inventory.

Unit cost and Cost of Goods Sold - FY2027					
LINE	Q1	Q2	Q3	Q4	FY2027
Cost of Goods Manufactured	\$17,926M	\$18,090M	\$18,090M	\$18,090M	\$72,195M
Opening Finished Goods value	\$1,659M	\$2,999M	\$3,782M	\$3,843M	\$1,659M
Closing Finished Goods value	(\$2,999M)	(\$3,782M)	(\$3,843M)	(\$1,742M)	(\$1,742M)
= Cost of Goods Sold	\$16,586M	\$17,307M	\$18,028M	\$20,191M	\$72,112M
Identity check	\$0M	\$0M	\$0M	\$0M	\$0M

The same absorption unit cost values production, Cost of Goods Sold and Finished Goods inventory.

Step 7 - Selling, General and Administrative Budget

Selling, General and Administrative expense is a period cost. It is not included in inventory or unit cost. The variable component follows units sold; the fixed component follows time.

Selling, General and Administrative budget - FY2025

LINE	Q1	Q2	Q3	Q4	FY2025
Units sold	376,310	392,671	409,032	458,116	1,636,129
Variable Selling, General and Administrative	\$174M	\$182M	\$189M	\$212M	\$758M
Fixed Selling, General and Administrative	\$1,073M	\$1,073M	\$1,073M	\$1,073M	\$4,292M
= Total Selling, General and Administrative	\$1,247M	\$1,255M	\$1,262M	\$1,285M	\$5,050M

Variable share = 15%; variable rate = \$462.98 per unit sold.

Selling, General and Administrative budget - FY2026

LINE	Q1	Q2	Q3	Q4	FY2026
Units sold	384,100	400,800	417,500	467,600	1,670,000
Variable Selling, General and Administrative	\$183M	\$191M	\$199M	\$223M	\$795M
Fixed Selling, General and Administrative	\$1,126M	\$1,126M	\$1,126M	\$1,126M	\$4,506M
= Total Selling, General and Administrative	\$1,309M	\$1,317M	\$1,325M	\$1,349M	\$5,301M

Variable share = 15%; variable rate = \$476.14 per unit sold.

Selling, General and Administrative budget - FY2027

LINE	Q1	Q2	Q3	Q4	FY2027
Units sold	403,420	420,960	438,500	491,120	1,754,000
Variable Selling, General and Administrative	\$191M	\$199M	\$207M	\$232M	\$829M
Fixed Selling, General and Administrative	\$1,175M	\$1,175M	\$1,175M	\$1,175M	\$4,699M
= Total Selling, General and Administrative	\$1,365M	\$1,374M	\$1,382M	\$1,407M	\$5,528M

Variable share = 15%; variable rate = \$472.75 per unit sold.

Step 8 - Budgeted Operating Profit and Loss

Budgeted operating Profit and Loss - FY2025

LINE	Q1	Q2	Q3	Q4	FY2025
Revenue	\$18,873M	\$19,693M	\$20,514M	\$22,976M	\$82,056M
- Cost of Goods Sold	(\$15,639M)	(\$16,319M)	(\$16,999M)	(\$19,038M)	(\$67,994M)
= Gross profit	\$3,234M	\$3,375M	\$3,515M	\$3,937M	\$14,062M
- Selling, General and Administrative	(\$1,247M)	(\$1,255M)	(\$1,262M)	(\$1,285M)	(\$5,050M)
= Segment operating income	\$1,987M	\$2,120M	\$2,253M	\$2,652M	\$9,012M
Operating margin	10.5%	10.8%	11.0%	11.5%	11.0%

Representative Auto + Services scope; corporate Research and Development and Energy are excluded here and restored in the company statement bridge.

Budgeted operating Profit and Loss - FY2026

LINE	Q1	Q2	Q3	Q4	FY2026
Revenue	\$18,912M	\$19,734M	\$20,556M	\$23,023M	\$82,226M
- Cost of Goods Sold	(\$15,848M)	(\$16,537M)	(\$17,226M)	(\$19,294M)	(\$68,906M)
= Gross profit	\$3,064M	\$3,197M	\$3,330M	\$3,730M	\$13,320M
- Selling, General and Administrative	(\$1,309M)	(\$1,317M)	(\$1,325M)	(\$1,349M)	(\$5,301M)
= Segment operating income	\$1,754M	\$1,880M	\$2,005M	\$2,381M	\$8,019M
Operating margin	9.3%	9.5%	9.8%	10.3%	9.8%

Representative Auto + Services scope; corporate Research and Development and Energy are excluded here and restored in the company statement bridge.

Budgeted operating Profit and Loss - FY2027

LINE	Q1	Q2	Q3	Q4	FY2027
Revenue	\$19,858M	\$20,721M	\$21,584M	\$24,174M	\$86,337M
- Cost of Goods Sold	(\$16,586M)	(\$17,307M)	(\$18,028M)	(\$20,191M)	(\$72,112M)
= Gross profit	\$3,272M	\$3,414M	\$3,556M	\$3,983M	\$14,225M
- Selling, General and Administrative	(\$1,365M)	(\$1,374M)	(\$1,382M)	(\$1,407M)	(\$5,528M)
= Segment operating income	\$1,906M	\$2,040M	\$2,174M	\$2,576M	\$8,697M
Operating margin	9.6%	9.8%	10.1%	10.7%	10.1%

Representative Auto + Services scope; corporate Research and Development and Energy are excluded here and restored in the company statement bridge.

SEGMENT SCOPE

The operating Profit and Loss statement is the representative Auto + Services result. Company-wide Research and Development, restructuring and the Energy residual are included in the annual consolidated statement in Step 12.

Operating Budget to Whole-Company Statements

The final brief requires whole-company annual statements while permitting a representative segment for unit mechanics. The translation below prevents segment and consolidated outputs from being compared as if they were the same measure.

YEAR	COMPANY REVENUE	AUTO + SERVICES REVENUE	ENERGY / OTHER RESIDUAL	SEGMENT SHARE	COMPANY OI	SEGMENT OI
2025	\$94,827M	\$82,056M	\$12,771M	86.5%	\$4,355M	\$9,012M
2026	\$95,023M	\$82,226M	\$12,797M	86.5%	\$3,038M	\$8,019M
2027	\$99,774M	\$86,337M	\$13,437M	86.5%	\$3,609M	\$8,697M

Operating-Income Bridge

YEAR	MODEL SEGMENT OI	- COST CALIBRATION	+ ENERGY GP	- RESIDUAL SG&A	- R&D	- RESTRUCTURING	= COMPANY OI
2025	\$9,012M	(\$770M)	\$3,802M	(\$784M)	(\$6,411M)	(\$494M)	\$4,355M
2026	\$8,019M	(\$0M)	\$3,784M	(\$825M)	(\$7,693M)	(\$247M)	\$3,038M
2027	\$8,697M	(\$0M)	\$3,734M	(\$729M)	(\$7,963M)	(\$130M)	\$3,609M

FY2025 COMPANY OPERATING-INCOME BRIDGE

Model segment OI - calibration + Energy GP - residual SG&A - R&D - restructuring = company OI

\$9,012M - \$770M + \$3,802M - \$784M - \$6,411M - \$494M = \$4,355M

\$4,355M

FY2025 Cost Calibration

YEAR	MODEL SEGMENT COGS	+ REPORTED COST CALIBRATION	= REPORTED AUTO + SERVICES COST	PURPOSE
FY2025	\$67,994M	\$770M	\$68,764M	Model COGS reconciled to reported Auto + Services cost

REVENUE BRIDGE

Auto + Services revenue is the company revenue scenario multiplied by the historical segment share. The residual is the Energy and other company activity retained in the annual statements.

OPERATING-INCOME DISTINCTION

Segment operating income is before company-wide Research and Development, restructuring and residual segment effects. Consolidated operating income is the whole-company result after those items.

FY2026 SEGMENT REVENUE BRIDGE

Company revenue x Auto + Services share = segment revenue

\$95,023M x 86.5% = \$82,226M

\$82,226M

Annual Operating Summary

YEAR	SEGMENT UNITS	SEGMENT REVENUE	SEGMENT COST OF GOODS SOLD	SEGMENT SG&A	SEGMENT OPERATING INCOME	COMPANY OPERATING INCOME
2025	1,636,129	\$82,056M	\$67,994M	\$5,050M	\$9,012M	\$4,355M
2026	1,670,000	\$82,226M	\$68,906M	\$5,301M	\$8,019M	\$3,038M
2027	1,754,000	\$86,337M	\$72,112M	\$5,528M	\$8,697M	\$3,609M

Step 9 — FY2025 Variance Analysis

CONTROL LAYER

Variance analysis is performed for Q1 FY2025 only. The standard is the Session 3 operating budget; the actuals below are illustrative deviations, explicitly permitted by the final assessment brief.

Static Budget versus Flexible Budget

The static budget is approved for the planned volume. The flexible budget restates budgeted revenue and variable costs at the volume actually achieved while keeping budgeted prices, rates and fixed costs unchanged.

FLEXIBLE-BUDGET FORMULA

Flexible budget cost = fixed cost + standard variable rate x actual activity

Actual volume = 368,784 units; standard rates remain unchanged

ABSORPTION-TO-CONTROL RECONCILIATION

Step 8 Q1 absorption OI is converted to the variance-control basis before the static/flexible bridge

\$1,987M - \$184M fixed-overhead application and inventory timing effect = \$1,803M

\$1,803M

LINE	STATIC BUDGET	FLEXIBLE BUDGET	ILLUSTRATIVE ACTUAL	EXPLANATION
Units sold	376,310	368,784	368,784	Actual volume is 2% below budget
Selling price	\$50,153	\$50,153	\$49,653	Actual price is \$500 below standard
Revenue	\$18,873M	\$18,495M	\$18,311M	Price and volume separated
Direct Materials	(\$9,383M)	(\$9,196M)	(\$9,416M)	Price and usage deviations
Direct Labour	(\$1,564M)	(\$1,533M)	(\$1,572M)	Rate and efficiency deviations
Variable Manufacturing Overhead	(\$2,586M)	(\$2,534M)	(\$2,591M)	Spending and efficiency deviations
Fixed Manufacturing Overhead	(\$2,290M)	(\$2,290M)	(\$2,306M)	Fixed spending variance
Variable Selling, General and Administrative	(\$174M)	(\$171M)	(\$181M)	Variable spending variance
Fixed Selling, General and Administrative	(\$1,073M)	(\$1,073M)	(\$1,105M)	Fixed spending variance
= Operating income	\$1,803M	\$1,699M	\$1,140M	Bridge closes

WHY FLEX FIRST

A direct comparison of actual results with the static budget would mix volume, price and cost performance. The flexible budget isolates volume before price and efficiency are evaluated.

Sales Price and Volume Variances

VARIANCE	WORKING	RESULT	CLASSIFICATION	OWNER
Sales volume	(368,784 - 376,310) x \$13,727	-\$103M	Unfavourable	Sales / commercial
Sales price	(\$49,653 - \$50,153) x 368,784	-\$184M	Unfavourable	Sales / commercial

VOLUME VARIANCE

(Actual units - budget units) x budgeted contribution margin per unit

(368,784 - 376,310) x \$13,727 = -\$103M

-\$103M

PRICE VARIANCE

(Actual price - budget price) x actual units

(\$49,653 - \$50,153) x 368,784 = -\$184M

-\$184M

Material and Labour Variances

The total variance is decomposed because different managers control price/rate and quantity/efficiency.

VARIANCE	WORKING	RESULT	CLASSIFICATION	OWNER
Material price	$(\$25,354 - \$24,935) \times 371,365$	-\$156M	Unfavourable	Purchasing
Material quantity	$(371,365 - 368,784) \times \$24,935$	-\$64M	Unfavourable	Production
Total material	-\$156M + -\$64M	-\$220M	Unfavourable	Purchasing + production
Labour rate	$(\$83.60 - \$83.12) \times 18.808\text{M hrs}$	-\$9M	Unfavourable	Operations / HR
Labour efficiency	$(18.808\text{M} - 18.439\text{M}) \times \83.12	-\$31M	Unfavourable	Production
Total labour	-\$9M + -\$31M	-\$40M	Unfavourable	Operations

MATERIAL LOGIC

Price variance uses actual quantity because the price gap was paid on every kit handled. Quantity variance uses standard price so the usage effect is isolated from the price effect.

LABOUR LOGIC

Rate variance measures the wage difference on actual hours. Efficiency variance uses actual Q1 FY2025 production of 368,784 units, which is assumed equal to actual units sold for this illustrative control check.

Manufacturing Overhead and Selling, General and Administrative Variances

VARIANCE	WORKING	RESULT	CLASSIFICATION	OWNER
Variable overhead spending	$(\$137.77 - \$137.43) \times 18.808\text{M hrs}$	-\$6M	Unfavourable	Factory management
Variable overhead efficiency	$(18.808\text{M} - 18.439\text{M}) \times \137.43	-\$51M	Unfavourable	Production
Fixed overhead spending	\$2,306M - \$2,290M	-\$16M	Unfavourable	Factory management
Total Manufacturing Overhead	Spending + efficiency + fixed spending	-\$73M	Unfavourable	Factory management + production
Variable Selling, General and Administrative	Actual variable rate - standard rate on actual units	-\$10M	Unfavourable	Commercial / department managers
Fixed Selling, General and Administrative	Actual fixed expense - budgeted fixed expense	-\$32M	Unfavourable	Department managers
Total Selling, General and Administrative	Variable + fixed spending	-\$42M	Unfavourable	Department managers

Operating-Income Bridge

BRIDGE LINE	AMOUNT	WHAT IT MEASURES
Static-budget operating income	\$1,803M	Planned volume, price and standards
Sales volume variance	-\$103M	Actual units below budget
= Flexible-budget operating income	\$1,699M	Operating income at actual volume and budgeted rates
Sales price variance	-\$184M	Actual selling price below budget
Material variance - total	-\$220M	Higher price and excess usage
Labour variance - total	-\$40M	Higher wage and hours per unit
Manufacturing Overhead variance	-\$73M	Spending and efficiency
Selling, General and Administrative variance	-\$42M	Variable and fixed spending
= Actual operating income	\$1,140M	Illustrative measured outcome

BRIDGE CHECK

Static OI + volume + price - cost variances = actual OI

\$1,803M - \$103M - \$184M - \$220M - \$40M - \$73M - \$42M = \$1,140M

\$1,140M

RESPONSIBILITY ACCOUNTING

Sales owns volume and price; purchasing owns material price; production owns material usage and labour efficiency; factory management owns overhead spending; department managers own Selling, General and Administrative spending. A manager is assessed only on drivers that can be influenced.

Step 10 — Capital Budget

ONE PROJECT, FOUR APPRAISAL CRITERIA

The project is evaluated using simple payback, discounted payback, Net Present Value and Internal Rate of Return. Future cash flows are discounted at the planning Weighted Average Cost of Capital.

Project and WACC Assumptions

INPUT	VALUE	CLASSIFICATION	BASIS	WACC COMPONENT	VALUE	WORKING
Project	Battery and assembly automation module	ASSUMED	Capacity, throughput and conversion-cost improvement	Debt weight	10.0%	Opening planning debt / total capital
				Equity weight	90.0%	Opening simplified total equity / total capital
Initial investment	\$2,600M	ASSUMED	Equipment expenditure at time zero	Pre-tax cost of debt	5.0%	Planning borrowing rate
Commissioning date	After FY2027	ASSUMED	FY2026 outlay is held as construction in progress; operating benefits begin after the pro forma horizon	After-tax cost of debt	4.0%	Pre-tax rate x (1 - tax rate)
				Cost of equity	10.8%	4.0% risk-free + 1.30 beta x 5.2% market premium
Life	5 years	ASSUMED	Straight-line depreciation; zero salvage	Calculated WACC	10.1%	Debt and equity weighted cost
Contribution per incremental unit	\$13,143	CALCULATED	FY2026 representative selling price less variable cost	Applied hurdle rate	10.0%	Rounded planning rate used for NPV
Annual fixed cash cost	\$100M	ASSUMED	Maintenance, supervision and software support			
Tax rate	21.0%	ASSUMED	Planning tax rate			
Discount rate	10.0%	ASSUMED	Planning Weighted Average Cost of Capital			

WACC FORMULA

Debt weight x after-tax debt cost + equity weight x cost of equity

10.0% x 4.0% + 90.0% x 10.8% = 10.1% approximately 10.0%

10.0%

Annual Project Cash Flow

Cash flow is after-tax operating profit plus depreciation added back. The appraisal years begin after FY2027 commissioning, so these operating benefits do not enter the FY2026-FY2027 master-budget operating schedules.

YEAR	INCREMENTAL UNITS	CONTRIBUTION	FIXED CASH COST	DEPRECIATION	EBIT	TAX	ANNUAL CASH FLOW
1	107,848	\$1,417M	(\$100M)	(\$520M)	\$797M	(\$167M)	\$1,150M
2	103,033	\$1,354M	(\$100M)	(\$520M)	\$734M	(\$154M)	\$1,100M
3	98,217	\$1,291M	(\$100M)	(\$520M)	\$671M	(\$141M)	\$1,050M
4	93,402	\$1,228M	(\$100M)	(\$520M)	\$608M	(\$128M)	\$1,000M
5	88,586	\$1,164M	(\$100M)	(\$520M)	\$544M	(\$114M)	\$950M

ANNUAL CASH FLOW

(Incremental contribution - fixed cash cost - depreciation) x (1 - tax) + depreciation

Year 1: (\$1,417M - \$100M - \$520M) x 79% + \$520M = \$1,150M

\$1,150M

Discounted Cash Flow and Recovery

YEAR	CASH FLOW INPUT	CASH FLOW	DISCOUNT FACTOR	PRESENT VALUE	CUMULATIVE CASH	CUMULATIVE DISCOUNTED CASH
0	Outlay	-\$2,600M	1.000	-\$2,600M	-\$2,600M	-\$2,600M
1	Commissioning lag	\$0M	0.909	\$0M	-\$2,600M	-\$2,600M
2	Operating year 1	\$1,150M	0.826	\$950M	-\$1,450M	-\$1,650M
3	Operating year 2	\$1,100M	0.751	\$826M	-\$350M	-\$823M
4	Operating year 3	\$1,050M	0.683	\$717M	\$700M	-\$106M
5	Operating year 4	\$1,000M	0.621	\$621M	\$1,700M	\$515M
6	Operating year 5	\$950M	0.564	\$536M	\$2,650M	\$1,051M

SIMPLE PAYBACK

Full years before recovery + unrecovered balance / next cash flow

3 years + (\$2,600M - \$2,250M) / \$1,050M = 3.33 years

3.33 years

DISCOUNTED PAYBACK

Full discounted years before recovery + remaining balance / next discounted cash flow

4 years + remaining discounted balance / next discounted cash flow = 4.17 years

4.17 years

Investment Decision

CRITERION	RESULT	DECISION RULE	CONCLUSION
Payback	3.33 years	Within the 5-year life	Accept
Discounted payback	4.17 years	Within the 5-year life	Accept
Net Present Value	\$1,051M	Positive NPV	Accept
Internal Rate of Return	20.8%	Greater than 10% WACC	Accept

CAPITAL DECISION

All four criteria support acceptance. The FY2026 cash budget includes the \$2.6B outlay only; project depreciation, units, contribution and operating cash flows begin after FY2027 when the asset is ready for use.

NPV Sensitivity

DISCOUNT RATE	CASH FLOWS -10%	BASE CASH FLOWS	CASH FLOWS +10%
8%	\$919M	\$1,310M	\$1,701M
10%	\$686M	\$1,051M	\$1,416M
12%	\$474M	\$816M	\$1,157M

SENSITIVITY READING

The project remains positive even when cash flows are 10% below plan and the discount rate rises to 12%. Discount rates and cash-flow sensitivity factors are stored on Sheet 1; the cushion does not remove execution risk.

Step 11 — Annual Cash Budget

11 CASH	12 INCOME	13 CASH-FLOW	14 BALANCE	15 RECONCILE
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CASH, NOT ACCOUNTING PROFIT

The cash budget tracks collection and payment timing. Depreciation is excluded from cash payments, while baseline capital expenditure, the accepted project outlay, zero dividends and debt repayment are recorded when cash moves.

FINANCING DRAW POLICY

Draw = ROUNDUP(max(0, minimum cash - cash before financing), \$100M)

FY2026: ROUNDUP(max(0, \$3,500M - -\$3,488M), \$100M) = \$7,000M

\$7,000M

CLOSING CASH

Opening cash + cash from operations - capital expenditure - dividends - debt repayment + financing draw

FY2026: \$7,530M + \$9,181M - \$20,000M - \$0M - \$200M + \$7,000M = \$3,512M

\$3,512M

YEAR	CASH-BUDGET LINE	AMOUNT	LINK / FORMULA
2025	Collections from customers	\$89,762M	Revenue + opening receivables - closing receivables
	- Supplier payments	(\$47,039M)	Company Direct Materials share + inventory/AP movement
	- Direct Labour paid	(\$7,773M)	10% labour component of company Cost of Goods Sold
	- Manufacturing Overhead paid, cash only	(\$18,120M)	30% overhead component less depreciation
	- Research and Development, SG&A and restructuring paid	(\$12,739M)	Company operating-expense plan
	+ Interest income collected	\$1,680M	Company finance income
	- Interest expense paid	(\$338M)	Company finance cost
	+ / - Other income / expense	-\$419M	Reported-anchor non-operating item
	- Income tax paid (assumed = tax expense)	(\$1,423M)	Cash-tax-equals-tax-expense assumption; \$1,232M SEC cash-tax-paid reference disclosed
	= Cash from operating activities	\$3,591M	Ties to pro forma cash-flow statement
	- Baseline capital expenditure	(\$12,000M)	Ongoing company capital plan
	- Incremental project capital expenditure	(\$0M)	Step 10 accepted project outlay
	= Total capital expenditure	(\$12,000M)	Baseline capex + project capex
	- Dividends	(\$0M)	Tesla no-dividend policy in this plan
	- Debt repayment	(\$200M)	Financing cash flow
	+ Financing draw	\$0M	Formula draw to maintain at least \$3,500M closing cash
	+ Opening cash	\$16,139M	Prior-year closing cash
	= Closing cash	\$7,530M	Carries to cash-flow statement and balance sheet

YEAR	CASH-BUDGET LINE	AMOUNT	LINK / FORMULA
2026	Collections from customers	\$95,003M	Revenue + opening receivables - closing receivables
	- Supplier payments	(\$46,761M)	Company Direct Materials share + inventory/AP movement
	- Direct Labour paid	(\$7,792M)	10% labour component of company Cost of Goods Sold
	- Manufacturing Overhead paid, cash only	(\$17,276M)	30% overhead component less depreciation
	- Research and Development, SG&A and restructuring paid	(\$14,066M)	Company operating-expense plan
	+ Interest income collected	\$1,200M	Company finance income
	- Interest expense paid	(\$300M)	Company finance cost
	+ / - Other income / expense	\$0M	Reported-anchor non-operating item
	- Income tax paid	(\$827M)	21.0% of profit before tax
	= Cash from operating activities	\$9,181M	Ties to pro forma cash-flow statement
	- Baseline capital expenditure	(\$17,400M)	Ongoing company capital plan
	- Incremental project capital expenditure	(\$2,600M)	Step 10 accepted project outlay
	= Total capital expenditure	(\$20,000M)	Baseline capex + project capex
	- Dividends	(\$0M)	Tesla no-dividend policy in this plan
	- Debt repayment	(\$200M)	Financing cash flow
	+ Financing draw	\$7,000M	Formula draw to maintain at least \$3,500M closing cash
	+ Opening cash	\$7,530M	Prior-year closing cash
	= Closing cash	\$3,512M	Carries to cash-flow statement and balance sheet
2027	Collections from customers	\$99,299M	Revenue + opening receivables - closing receivables
	- Supplier payments	(\$49,087M)	Company Direct Materials share + inventory/AP movement
	- Direct Labour paid	(\$8,182M)	10% labour component of company Cost of Goods Sold
	- Manufacturing Overhead paid, cash only	(\$17,744M)	30% overhead component less depreciation
	- Research and Development, SG&A and restructuring paid	(\$14,350M)	Company operating-expense plan
	+ Interest income collected	\$1,250M	Company finance income
	- Interest expense paid	(\$650M)	Company finance cost
	+ / - Other income / expense	\$0M	Reported-anchor non-operating item
	- Income tax paid	(\$884M)	21.0% of profit before tax
	= Cash from operating activities	\$9,652M	Ties to pro forma cash-flow statement
	- Baseline capital expenditure	(\$10,500M)	Ongoing company capital plan
	- Incremental project capital expenditure	(\$0M)	Step 10 accepted project outlay
	= Total capital expenditure	(\$10,500M)	Baseline capex + project capex
	- Dividends	(\$0M)	Tesla no-dividend policy in this plan
	- Debt repayment	(\$200M)	Financing cash flow
	+ Financing draw	\$1,100M	Formula draw to maintain at least \$3,500M closing cash
	+ Opening cash	\$3,512M	Prior-year closing cash
	= Closing cash	\$3,564M	Carries to cash-flow statement and balance sheet

Resource-to-Cash Bridge

YEAR	RESOURCE	SEGMENT SCHEDULE COST	RESIDUAL / ADJUSTMENT	= COMPANY CASH REQUIREMENT	CASH-BUDGET LINK
2025	Direct Materials	\$40,816M	\$5,824M	\$46,640M	Feeds purchases and supplier payments
	Direct Labour	\$6,803M	\$971M	\$7,773M	Feeds labour cash payments
	Manufacturing Overhead cash	\$20,408M	-\$2,288M	\$18,120M	Consolidated COGS share less depreciation
2026	Direct Materials	\$41,391M	\$5,360M	\$46,751M	Feeds purchases and supplier payments
	Direct Labour	\$6,899M	\$893M	\$7,792M	Feeds labour cash payments
	Manufacturing Overhead cash	\$20,696M	-\$3,420M	\$17,276M	Consolidated COGS share less depreciation

YEAR	RESOURCE	SEGMENT SCHEDULE COST	RESIDUAL / ADJUSTMENT	= COMPANY CASH REQUIREMENT	CASH-BUDGET LINK
2027	Direct Materials	\$43,317M	\$5,772M	\$49,089M	Feeds purchases and supplier payments
	Direct Labour	\$7,220M	\$962M	\$8,182M	Feeds labour cash payments
	Manufacturing Overhead cash	\$21,659M	-\$3,914M	\$17,744M	Consolidated COGS share less depreciation

Working-Capital Bridge

Net working capital equals trade receivables plus inventory minus trade payables. An increase uses cash and is deducted in the indirect cash-flow statement.

YEAR	RECEIVABLES	INVENTORY	PAYABLES	NET WORKING CAPITAL	INCREASE / (DECREASE)
2025	\$9,483M	\$12,392M	(\$12,450M)	\$9,425M	\$5,464M
2026	\$9,502M	\$12,802M	(\$12,850M)	\$9,454M	\$30M
2027	\$9,977M	\$13,200M	(\$13,250M)	\$9,927M	\$473M

CASH FROM OPERATIONS - INDIRECT

Net income + depreciation - increase in net working capital

FY2027: \$3,325M + \$6,800M - \$473M = \$9,652M

\$9,652M

RECEIVABLES

Collections equal revenue plus opening receivables less closing receivables. This converts accrual revenue into cash receipts.

PAYABLES AND INVENTORY

Supplier payments equal material purchases plus opening payables less closing payables. Inventory growth increases purchase requirements and uses cash.

CASH RECONCILIATION

Cash from operating activities is identical under the direct cash budget and the indirect pro forma cash-flow statement. Closing cash is identical in the cash budget, cash-flow statement and balance sheet.

Steps 12-14 — Annual Pro Forma Statements

11 CASH	12 INCOME	13 CASH-FLOW	14 BALANCE	15 RECONCILE
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MASTER-BUDGET OUTPUT

The operating budget is quarterly; the financial statements are annual. Net income links the income statement to cash flow and equity. Closing cash links the cash-flow statement to the balance sheet.

Step 12 - Pro Forma Income Statement

YEAR	INCOME-STATEMENT LINE	AMOUNT	SOURCE / INTERPRETATION
2025	Net revenue	\$94,827M	Company sales plan
	- Cost of Goods Sold	(\$77,733M)	Company cost plan
	= Gross profit	\$17,094M	18.0% margin
	- Research and Development	(\$6,411M)	Planning driver
	- Selling, General and Administrative	(\$5,834M)	Planning driver
	- Restructuring	(\$494M)	Planning driver
	= Operating income	\$4,355M	4.6% margin
	+ Interest income	\$1,680M	Finance income
	- Interest expense	(\$338M)	Finance cost
	+ / - Other income / expense	-\$419M	Reported-anchor FY2025 other expense, net
	= Profit before tax	\$5,278M	Operating income + interest income - interest expense +/- other
	- Tax	(\$1,423M)	Cash-tax-equals-tax-expense assumption; \$1,232M SEC cash-tax-paid reference disclosed
	= Net income	\$3,855M	Flows to cash flow and equity
2026	Net revenue	\$95,023M	Company sales plan
	- Cost of Goods Sold	(\$77,919M)	Company cost plan
	= Gross profit	\$17,104M	18.0% margin
	- Research and Development	(\$7,693M)	Planning driver
	- Selling, General and Administrative	(\$6,126M)	Planning driver
	- Restructuring	(\$247M)	Planning driver
	= Operating income	\$3,038M	3.2% margin
	+ Interest income	\$1,200M	Finance income
	- Interest expense	(\$300M)	Finance cost
	+ / - Other income / expense	\$0M	Reported-anchor FY2025 other expense, net
	= Profit before tax	\$3,938M	Operating income + interest income - interest expense +/- other
	- Tax	(\$827M)	21.0% of profit before tax
	= Net income	\$3,111M	Flows to cash flow and equity

YEAR	INCOME-STATEMENT LINE	AMOUNT	SOURCE / INTERPRETATION
2027	Net revenue	\$99,774M	Company sales plan
	- Cost of Goods Sold	(\$81,815M)	Company cost plan
	= Gross profit	\$17,959M	18.0% margin
	- Research and Development	(\$7,963M)	Planning driver
	- Selling, General and Administrative	(\$6,257M)	Planning driver
	- Restructuring	(\$130M)	Planning driver
	= Operating income	\$3,609M	3.6% margin
	+ Interest income	\$1,250M	Finance income
	- Interest expense	(\$650M)	Finance cost
	+ / - Other income / expense	\$0M	Reported-anchor FY2025 other expense, net
	= Profit before tax	\$4,209M	Operating income + interest income - interest expense +/- other
	- Tax	(\$884M)	21.0% of profit before tax
	= Net income	\$3,325M	Flows to cash flow and equity

NET INCOME

Operating income + interest income - interest expense +/- other - tax

FY2027: \$3,609M + \$1,250M - \$650M + \$0M - \$884M = \$3,325M

\$3,325M

Step 13 - Pro Forma Cash-Flow Statement

YEAR	CASH-FLOW LINE	AMOUNT	SOURCE / INTERPRETATION
2025	Net income	\$3,855M	From pro forma income statement
	+ Depreciation	\$5,200M	Non-cash Manufacturing Overhead
	- Increase in working capital	(\$5,464M)	Receivables + inventory - payables
	= Cash from operating activities	\$3,591M	Ties to cash budget
	- Baseline capital expenditure	(\$12,000M)	Cash from investing activities
	- Incremental project capital expenditure	(\$0M)	Cash from investing activities
	- Dividends	(\$0M)	Tesla no-dividend policy
	- Debt repayment	(\$200M)	Cash from financing activities
	+ Financing draw	\$0M	Cash from financing activities
	= Net change in cash	-\$8,609M	Operating + investing + financing
	+ Opening cash	\$16,139M	Prior-year balance
	= Closing cash	\$7,530M	Carries to balance sheet
2026	Net income	\$3,111M	From pro forma income statement
	+ Depreciation	\$6,100M	Non-cash Manufacturing Overhead
	- Increase in working capital	(\$30M)	Receivables + inventory - payables
	= Cash from operating activities	\$9,181M	Ties to cash budget
	- Baseline capital expenditure	(\$17,400M)	Cash from investing activities
	- Incremental project capital expenditure	(\$2,600M)	Cash from investing activities
	- Dividends	(\$0M)	Tesla no-dividend policy
	- Debt repayment	(\$200M)	Cash from financing activities
	+ Financing draw	\$7,000M	Cash from financing activities
	= Net change in cash	-\$4,019M	Operating + investing + financing
	+ Opening cash	\$7,530M	Prior-year balance
	= Closing cash	\$3,512M	Carries to balance sheet
2027	Net income	\$3,325M	From pro forma income statement
	+ Depreciation	\$6,800M	Non-cash Manufacturing Overhead
	- Increase in working capital	(\$473M)	Receivables + inventory - payables
	= Cash from operating activities	\$9,652M	Ties to cash budget
	- Baseline capital expenditure	(\$10,500M)	Cash from investing activities
	- Incremental project capital expenditure	(\$0M)	Cash from investing activities
	- Dividends	(\$0M)	Tesla no-dividend policy
	- Debt repayment	(\$200M)	Cash from financing activities
	+ Financing draw	\$1,100M	Cash from financing activities
	= Net change in cash	\$52M	Operating + investing + financing
	+ Opening cash	\$3,512M	Prior-year balance
	= Closing cash	\$3,564M	Carries to balance sheet

CASH-FLOW INTERLOCK

Opening cash + operating + investing + financing = closing cash

FY2027: \$3,512M + \$9,652M - \$10,500M - \$0M - \$200M + \$1,100M = approximately \$3,564M

\$3,564M

Step 14 - Pro Forma Balance Sheet

YEAR	BALANCE-SHEET LINE	AMOUNT	ROLL-FORWARD
2025	Cash	\$7,530M	From cash-flow statement
	Trade receivables	\$9,483M	10% of annual revenue planning policy
	Inventory	\$12,392M	Total inventory, not finished-goods inventory only
	Property, plant and equipment, net	\$42,636M	Opening \$35,836M + capex \$12,000M - depreciation \$5,200M
	Other assets	\$53,660M	Aggregated balance-sheet accounts retained for whole-company scale
	= Total assets	\$125,701M	Sum of assets
	Trade payables	\$12,450M	Direct planning assumption
	Long-term debt	\$8,013M	Opening debt - repayment + financing draw
	Other liabilities	\$27,703M	Aggregated liabilities retained for whole-company scale
	Simplified total equity	\$77,535M	Opening \$73,680M + NI \$3,855M - dividends \$0M
	= Total liabilities and equity	\$125,701M	Must equal total assets
	= Balance-sheet check	\$0M	Assets - liabilities - equity
2026	Cash	\$3,512M	From cash-flow statement
	Trade receivables	\$9,502M	10% of annual revenue planning policy
	Inventory	\$12,802M	Total inventory, not finished-goods inventory only
	Property, plant and equipment, net	\$56,536M	Opening \$42,636M + capex \$20,000M - depreciation \$6,100M
	Other assets	\$53,660M	Aggregated balance-sheet accounts retained for whole-company scale
	= Total assets	\$136,012M	Sum of assets
	Trade payables	\$12,850M	Direct planning assumption
	Long-term debt	\$14,813M	Opening debt - repayment + financing draw
	Other liabilities	\$27,703M	Aggregated liabilities retained for whole-company scale
	Simplified total equity	\$80,646M	Opening \$77,535M + NI \$3,111M - dividends \$0M
	= Total liabilities and equity	\$136,012M	Must equal total assets
	= Balance-sheet check	\$0M	Assets - liabilities - equity
2027	Cash	\$3,564M	From cash-flow statement
	Trade receivables	\$9,977M	10% of annual revenue planning policy
	Inventory	\$13,200M	Total inventory, not finished-goods inventory only
	Property, plant and equipment, net	\$60,236M	Opening \$56,536M + capex \$10,500M - depreciation \$6,800M
	Other assets	\$53,660M	Aggregated balance-sheet accounts retained for whole-company scale
	= Total assets	\$140,637M	Sum of assets
	Trade payables	\$13,250M	Direct planning assumption
	Long-term debt	\$15,713M	Opening debt - repayment + financing draw
	Other liabilities	\$27,703M	Aggregated liabilities retained for whole-company scale
	Simplified total equity	\$83,971M	Opening \$80,646M + NI \$3,325M - dividends \$0M
	= Total liabilities and equity	\$140,637M	Must equal total assets
	= Balance-sheet check	\$0M	Assets - liabilities - equity

BALANCE-SHEET EQUATION

Total assets = total liabilities + simplified total equity

FY2027: \$140,637M - \$140,637M = \$0M

\$0M

THREE-STATEMENT INTERLOCK

Net income increases equity and starts the indirect cash-flow statement. Depreciation reduces property, plant and equipment but is added back in operating cash. Capital expenditure increases property, plant and equipment and reduces investing cash. Working-capital changes appear in both current accounts and operating cash.

Step 15 — Reconciliation and Defence

11 CASH	12 INCOME	13 CASH-FLOW	14 BALANCE	15 RECONCILE
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The model is complete only when the operating schedules, variance bridge, capital decision, cash plan and three annual statements agree.

CONTROL	REQUIRED RESULT	STATUS
Operating-budget sales check	Quarter sales sum to annual unit sales	PASS
Production bridge	Production = sales + closing Finished Goods - opening Finished Goods for every quarter	PASS
Materials bridge	Purchases = usage + closing Raw Materials - opening Raw Materials	PASS
Cost of Goods Sold bridge	Opening Finished Goods + Cost of Goods Manufactured - closing Finished Goods = Cost of Goods Sold	PASS
Segment Profit and Loss	Revenue - Cost of Goods Sold - SG&A = segment operating income	PASS
Variance bridge	Static operating income to illustrative actual = \$1,140M	PASS
Capital project	NPV \$1,051M; IRR 20.8% > WACC 10%	PASS
Cash-budget bridge	Direct-method operating cash = indirect-method Cash from Operations	PASS
Closing cash	Cash budget = cash-flow statement = balance-sheet cash	PASS
Balance sheet	Assets - liabilities - equity = \$0M for 2025, 2026 and 2027	PASS
Workbook rule	Five sheets maximum; all downstream outputs are formulas	PASS
Variance actuals	All FY2025 actual deviations are labelled illustrative	PASS

Statement Interlocks

INCOME STATEMENT TO CASH FLOW Net income is the first line of the indirect cash-flow statement. Depreciation is added back and working capital converts accrual profit into operating cash.	CASH FLOW TO BALANCE SHEET Closing cash from the cash-flow statement is the cash balance on the balance sheet. Capital expenditure and depreciation roll property, plant and equipment forward.	INCOME STATEMENT TO EQUITY Net income increases simplified total equity; dividends reduce it. The equity roll-forward completes the balance-sheet equation.
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Four Governing Questions

ASSESSMENT QUESTION	EVIDENCE IN THIS REPORT
1. Logical model	The representative unit drives every operating schedule; annual statements use an explicit whole-company bridge.
2. Sourced assumptions	Reported figures, planning assumptions and illustrative actuals are separately tagged and referenced.
3. Correct accounting	Product costs enter inventory; period costs do not; depreciation is non-cash; statements interlock.
4. Independent explanation	Every major output is accompanied by a formula, substituted arithmetic, source or reconciliation.

Key Limitations

- Tesla does not publish Direct Materials, Direct Labour and Manufacturing Overhead separately; the 60/10/30 allocation is a sourced managerial reconstruction.
- The representative vehicle-equivalent includes Auto + Services revenue and is a planning device, not a published Tesla unit economics figure.
- The FY2025 variance actuals are illustrative deviations required to demonstrate variance mechanics; they are not Tesla reported quarterly results.
- The pro forma balance sheet is a simplified management-planning statement containing the accounts required to demonstrate the three-statement interlock.
- FY2026 and FY2027 are planning scenarios, not Tesla guidance.

Formula Glossary

TERM	FULL MEANING	CORE FORMULA / USE
Average Selling Price	Revenue per representative unit	Segment revenue / unit sales
Direct Materials	Materials directly traceable to the unit	Units produced x material standard
Direct Labour	Production labour directly traceable to the unit	Units produced x hours x wage
Manufacturing Overhead	Indirect factory cost	Fixed overhead + variable rate x activity
Cost of Goods Manufactured	Cost of units completed	Direct Materials + Direct Labour + Manufacturing Overhead +/- Work in Process
Cost of Goods Sold	Cost of units sold	Opening Finished Goods + COGM - closing Finished Goods
Net Present Value	Present value of cash inflows less investment	Sum of discounted cash flows - initial outlay
Internal Rate of Return	Discount rate at which NPV equals zero	Accept if IRR > WACC
Weighted Average Cost of Capital	Blended required return of debt and equity	Debt weight x after-tax debt cost + equity weight x equity cost
Cash from Operations	Cash generated by operations	Net income + depreciation - increase in working capital

Key-Figure Traceability

FIGURE	VALUE	ORIGIN	FLows INTO
FY2026 Auto + Services revenue	\$82,226M	Company revenue x segment share	Sales budget and segment P&L
FY2026 Average Selling Price	\$49,237	Segment revenue / representative units	Quarterly sales budget
FY2026 unit cost	\$41,261	Direct Materials + Direct Labour + Manufacturing Overhead	Cost of Goods Sold and inventory
Q1 FY2025 flexible-budget OI	\$1,699M	Actual volume at budgeted price and rates	Variance bridge
Q1 FY2025 illustrative actual OI	\$1,140M	Flexible OI adjusted for price and cost variances	Control conclusion
Capital-project NPV	\$1,051M	Discounted project cash flows less outlay	Accept / reject decision
FY2025 closing cash	\$7,530M	Opening cash + operating - investing + financing	Cash flow and balance sheet
FY2027 net income	\$3,325M	Operating income + interest income - interest expense +/- other - tax	Cash flow and equity
FY2027 Cash from Operations	\$9,652M	Net income + depreciation - working capital increase	Closing cash
FY2027 balance-sheet check	\$0M	Assets - liabilities - equity	Final reconciliation

Management Conclusions

AREA	CONCLUSION	MANAGEMENT RESPONSE
Operating capacity	All quarters fit within the 22M labour-hour capacity after production smoothing.	Use the smoothed quarterly production plan; no overtime premium is budgeted.
Cost control	The illustrative material variance is the largest Q1 adverse variance.	Separate supplier-price exposure from production usage and assign ownership accordingly.
Capital allocation	The automation project has positive NPV and an IRR above the hurdle rate.	Accept subject to execution controls and cash-flow monitoring.
Liquidity	Closing cash remains positive but falls from \$7,530M to \$3,512M and \$3,564M.	Maintain working-capital discipline and keep the FY2026 financing draw visible.
Profitability	Whole-company net income declines in FY2026 before recovering in FY2027.	Protect gross margin and monitor Research and Development and Selling, General and Administrative intensity.

SUBMISSION CONTROL

The report and the five-sheet Excel model must agree to the figure. Any assumption changed in Sheet 1 must flow through all quarterly schedules, annual statements and reconciliation checks without retyping an output.