

Exhibit 3: Additional questions/options

The following factors (and questions/options) could be added to the assignment at the discretion of the instructor:

The economy: How would changes in the economy in general affect your decision/recommendation?

Options: Stable economy; declining economy; recovering economy

The industry: How could the industry in which the company operates affect your decision?

Options: Oil and gas industry; technology industry; automotive industry; sustainable energy industry

Sales projections: These figures assume that all additional parts manufactured are sold. How would alternative or uncertain future sales projections affect your answer?

Options:

- The company assumed that it is more likely than not that it will be able to sell the additional units.
- The company has a new buyer lined up for the new parts, or for 60% of the new parts.
- There is a 60% chance that the new parts will be sold.
- The company expects that it will take a few years before it is able to sell the additional units consistently.

Sustainability issues: What if the new equipment was more environmentally friendly? Perhaps it increases efficiency or it has reduced emissions, etc.

- Alternative energy considerations (e.g., solar panels).
- Federal and/or state tax incentives are available.

Compare the two alternatives: If you were asked to choose between the two proposals, which would you recommend?

This exhibit accompanies the May 2013 Campus to Clients column in The Tax Adviser, "Making the Connection Between Tax and Strategic Business Decision-Making."