Example – 2

Month	Total	Permanent	Seasonal	Avg	Additional
1	50	30	20	155	0
2	60	30	30	155	0
3	70	30	40	155	0
4	100	30	70	155	0
5	160	30	130	155	5
6	250	30	220	155	95
7	280	30	250	155	125
8	270	30	240	155	115
9	170	30	140	155	15
10	110	30	80	155	0
11	70	30	40	155	0
12	30	30	0	155	0
Total	16[illegible]	360	1260		

(C) Cost of Financing under Hedging Approach

Avg year Short term Loan $= \frac{1260}{12} = 105$ Lakh

(a) Short term Cost = 105 x 12 % = 12.60 Lakh

(b) Long term Cost = 30 x 15 % = 4.50 Lakh

Total Cost = 17.10 Lakh.