

B-21.07

The chief financial officer for Cast in Stone concrete products had previously established a line of credit with a local bank that enables Cast in Stone to borrow 80% of the company's inventory balance. The company currently has 1,000 units in stock, and is performing "on budget." The budget anticipated that direct labor cost would be \$15 per hour, and factory overhead is applied to production based on \$7.50 per direct labor hour. Each unit requires 2.5 labor hours and 800 pounds of direct material. The direct material costs \$0.10 per pound.

Determine the amount of credit available under the borrowing agreement.