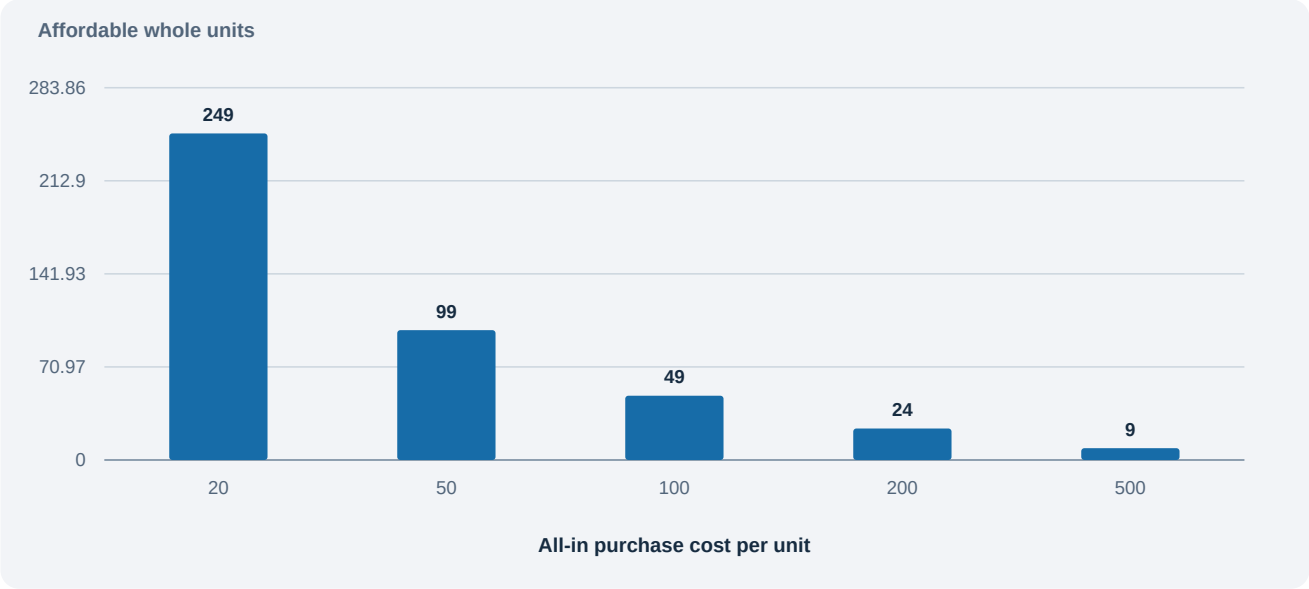
Quantity allowed by a cash budget

Risk and sizing | Original synthetic example | Edition 2026-11-26

For an unlevered cash purchase, a budget less fixed costs divided by the all-in per-unit purchase cost gives an affordability limit. This is separate from a stop-risk calculation.

FORMULA Affordable units = floor((cash budget - fixed charges) / unit cost)

SCENARIO 01: Cash 5000; fixed charges 10; no leverage



WORKED EXAMPLE

At unit cost 100, floor((5000 - 10) / 100) gives 49 units before separate risk limits.

COMMON MISTAKE

Treating affordability as a risk limit ignores how much of the purchased value could be lost.

BEFORE YOU USE THE CALCULATION

1. Reserve fixed charges first.
2. Include applicable per-unit purchase costs.
3. Apply a separate risk and concentration limit.

COMPARE TWO MORE INPUT SETS

Scenario 05: Cash 9000; fixed charges 14; no leverage. At unit cost 100, floor((9000 - 14) / 100) gives 89 units before separate risk limits.

Scenario 10: Cash 14000; fixed charges 19; no leverage. At unit cost 100, floor((14000 - 19) / 100) gives 139 units before separate risk limits.

Synthetic values are not historical market data. Educational material; trading can result in substantial losses.