

Balance Sheet

| Term | Definition |
|---------------------|------------|
| Current Assets | |
| Fixed Assets | |
| Current Liabilities | |
| Long Term Debt | |
| Preferred Stock | |
| Common Equity | |

Income Statement

| Term | Definition |
|------|------------|
|------|------------|

Formulas

Capital Budgeting Techniques

| Term | Definition | Excel |
|--|--|-------|
| Payback Period | The number of years required to recover a project's cost or how long it take to get the business's money back | N |
| Discounted Payback Period | The number of years required to recover a project's cost or how long it take to get the business's money back; future cash flows discounted to time zero | N |
| Net Present Value (NPV) | Sum of the present value of inflows and outflows | Y |
| Internal Rate of Return (IRR) | The discount rate at which inflows is equal to cost, or where net present value is equal to zero | Y |
| Modified Internal Rate of Return (MIRR) | IRR based on WACC | Y |

Capital Budgeting Techniques (cont)

| | | |
|---------------------------------|---|---|
| Profitability Index (PI) | Shows relative profitability of project (present value of future cash flows per dollar of initial cost) | N |
|---------------------------------|---|---|

Capital Budgeting Choosing Projects

| Project Metric | Choice of Projects |
|----------------|--------------------|
| NPV > 0 | Higher NPV |
| IRR > WACC | Higher IRR |
| MIRR > WACC | Higher MIRR |



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