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

Capital Budgeting Techniques (cont)

Modified Internal Rate of Return (MIRR)	IRR based on WACC	Y
Profit-ability 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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