

Assignment - 6

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defined

Incremental Cash flow

Incremental Cash flow refers to the additional cash flow generated by a company as a result of taking on the difference between the company cash flow with the project and the merit flow crucial evaluating. will added value to the company.

To calculate incremental cash flow you consider the following product:-
Revenue Processes:-

The additional operating cash produced.

Cost Processes

Costs - are an additional cash expense

Cash Inflow and Outflow and :-

⇒ Inflow :- Revenue generated from the project (sale, cost saving)

⇒ Outflow :-

Initial investment Operating cost.

Calculated incremental cash flow :-

⇒ yearly cash flow :- for each year subtract the outflow from Inflow

⇒ Formula :-

$$\text{Incremental} = \text{Cash Inflow} - \text{Cash Outflow}$$

⇒ Adjust cash flow for taxes

⇒ If application provided depreciation

=> Sum the cash flows over
project life to assess over
viable.

=> Calculated the NPV is

cash flows to determine

Project out odds value.