

## 4<sup>th</sup> week Assignment

Define Accounting earnings

### → Accrual Accounting

When a company sold a product and entered it in sales account without or before getting payment is called by accrual accounting.

### → Operating Expenditure

The costs incurred by a business for its operational activities.

### → Capital Expenditure

Amount used by a company to acquire, and maintain company's assets.

### → Earning & Cash flow

→ Depreciation

→ Capital Expenditures

→ Working Capital

depreciation :-

The Expenses are spent on finding a place and source for the company before starting business is called by ~~depreciation~~ Sunk cost, that can't be recovered. but this investment is recorded in Depreciation  $\rightarrow$  non cash Expenses.

Capital Expenditure.

Subtract out cash outflows which are not Expensed.

Working Capital

current assets - current liabilities

$\rightarrow$  measuring Returns Right

$\rightarrow$  Incremental Cash flow

$\rightarrow$  time weighted returns

Incremental cash flow :-

When a business get increments by newly started project or new investments is entered in incremental CF





→ time weighted returns

Value cash flows that occur earlier more than cash flows that occur later.

→ Earnings Versus Cash flows

A Disney will include a ~~new~~ magic kingdom to be constructed, and operational at the beginning of the second year. 2nd theme park modeled on Epcot center at Orlando to be constructed in the 2<sup>nd</sup> and 3<sup>rd</sup> year and becoming operational at the beginning of the fourth year. ☺

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