

1) Define Incremental Cash Flow

* Incremental cashflow refers to be additional cash inflow or outflow resulting from a specific business decision, investment or project. It represents the change in cash flow that occurs due to particular action taken.

Example:

A company considers investing in a new machine that costs 10,000. The machinery will increase annual sales by 15,000 Profit and reduce annual operating

* Formula

Incremental cash flow = Cash Inflow from Project - cash outflow from Project - Initial Investment

* Incremental cashflow is the extra money a business makes after investing in something new, such as project, product or campaign

* Incremental Cash = Revenue - cost of working capital - change in taxes

* This is the additional operating cash flow that an organization receives from taking on a new project.

* A positive incremental cash flow means that the company's cash flow will increase with the acceptance of the project. ~~that indicates good~~

* A positive incremental cash flow indicates a profitable investment, while a negative flow indicates a loss.