

ASSIGNMENT-6

ACF

1) Define Incremental Cash flow:-

* Incremental cash flow refers to the additional cash inflows or outflows resulting from a specific business decision, investment or project. It represents the change in cash flow that occurs due to particular action or event.

Example:-

A Company Considers Investing in a new Machine that Costs 10,000. The Machine will increase annual sales by 15,000 profit and reduce annual operating cost 3,000.

* Formula,

Incremental Cash flow = $\{ \text{Cash Inflow from project} - \text{Cash outflow from project} - \text{Initial Investment} \}$

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

* Incremental Cash = Revenue - cost + working Capital - change in taxes.

* It 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 that an organization should of Invest ~~per~~ of good profit.

* when a new project of buy Rs 100 give return of Rs-130 then only will be good return of Inflow or it will be outflow of project.

* A positive Incremental Cash flow indicates a profitable Investment, while a negative flow indicates a loss.

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