

7th WEEK Assignment

classmate

Date _____

Page _____

Compare the cash flow and time weighted incremental cash flow ~~by~~ ~~and~~

Cash flow

- Represents the total cash generated by a project or investment over its lifespan

- Includes all cash inflows and outflows without considering the timing of cash flows

calculated as:

$$\text{Cash flow} = \text{cash inflow} - \text{cash outflow}$$

Time-weighted incremental cash flow

- Represents the incremental cash flow generated by a project or investment considering the timing of cash flow

- Accounts for the time value of money, Recognizing that cash flows received earlier are more valuable than those received later

calculated as

$$ICF = \sum \left(\frac{\text{Incremental Cash flow}}{\text{Cash flow} / (1 + \text{Discount Rate})^t} \right)$$