

6th Week Assignment

classmate

Date _____

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Define incremental cash flow

Incremental cash flow is the additional cash flow generated by a project or investment, compared to the cash flow that would have been generated if the project or investment had not been undertaken.

calculated as

$$\text{Incremental cash flow} = \text{Cash flow with project} - \text{Cash flow without project.}$$

→ Incremental cash flow should be estimated over the life of the project, and should take into account all relevant cash inflows and outflows including incremental revenues, incremental operating expenditures, incremental capital expenditures.

Incremental cash flow decision-makers can evaluate the true economic value of a project or investment and make more informed decisions about whether to undertake