

maximize financial return of investors

Cost of money = the time value of money

return on investment 10-40%

Cash flow = gross profit

Net Present Value = cash flow & ROI

Internal Rate of Return = specific ROI for new product when  $NPV=0$

Break Even = amount of time until cash flows recoup total investments

Return on Invested Capital = varies widely

Sales price = price which new product is sold

Cost of Goods Sold = costs to make product or service

Gross Profit & Gross Profit Margin =  $\text{Net Rev} - \text{COGS}$

Depreciation = investment in physical assets w/ life expectancy, decrease value over time

Operating profit = Gross Profit - directly related expenses

Calculating NPV

1. Estimate investment costs

2. Estimate sales and opex costs

3. Calculate NPV

4. Relationship of Operating Statement to Balance Sheet in NPV calc

5. Calculate Break-Even point

6. Other Financial Analysis Tools

Balance Sheet, Income Statement, Statement of Cash Flows

Income Statement - in & out, how much money you have (P&L, I&E)

Balance Sheet - owns, owed, & value

Statement of Cash Flows - reconciliation between IS & change in Cash amount