Chapter 08

1. Investment appraisal, is the planning process used to determine whether an organization's long term investments are worth the funding.
2. Companies invest to generate sales revenue or may for increase efficiency of product.
3. The primary goals of investments is to increase the value of the firm to the **shareholders.**
4. **net present value (NPV) or net present worth (NPW)** is the summation of the present (now) value of a series of **present and future cash flows**. Because NPV accounts for the time value of money NPV provides a method for evaluating and comparing products with cash flows.
5. The purpose of investment is to produce **monetary benefits(Financial profits)**, for this we need to find their **present value**.
6. NPV→ how much you need to invest **today** earn x amount in x **year of time**?
7. Value of money is affected by **Interest rate**.
8. Which proposal give the best return is calculated by **discounted cash flow.**
9. The quantity 1 ÷ (1 + r)t is known as the **discount factor**.
10. If we have money and buy we can buy van, but it is better to take on loan and invest to generate revenue, that is called **opportunity cost**
11. **Internal rate of return** is a discount rate that makes the net present value (NPV) of all cash flows from a **particular project equal to zero**