Capital investment and financial decisions

Prentice/Hall International - Capital Investment Decisions: Meaning, Significance and Techniques



Description: -

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Business enterprises -- Finance.

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Risk Analysis in Capital Investment

Since the NPV of a project is inversely correlated with the discount rate—if the discount rate increases then future cash flows become more uncertain and thus become worth less in value—the benchmark for IRR calculations is the actual rate used by the firm to discount. Sweat equity is largely intangible and it doesn't count as financial capital, but it can be estimated as the cost of payroll saved as a result of excess hours worked by the owners.

Capital investment decisions — Accounting Tools

Note the contrast with the profile obtained under the conventional approach. Hence it becomes imperative that the entrepreneur resorts to sources of debt financing to keep his business afloat.

9 Key Factors Affecting Investment Decisions of Investors

This is important since, all other factors being equal, management would presumably prefer lower variability for the same return if given the choice.

Making better decisions about the risks of capital projects

Fund limitations may result from a lack of capital fundraising, tied-up capital in non-liquid assets, or extensive up-front acquisition costs that extend beyond investment means. It is not unheard of for an organization to purchase equipment and find that they are unable to use it without first buying certain peripherals. The three types of financial capital can influence your decision when you're analyzing your own business or a potential investment: equity capital, debt capital, and specialty capital.

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