Seasoning #3

Cash	FI	l٥١	N
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Net Inflow (Outflow)

Net Present Value

Present Value Factor

Casii i low.	Net Inflow (Outflow)	<u>Year 0</u> -\$8,000,000	<u>Year 1</u> \$2,300,000	<u>Year 2</u> \$2,300,000	<u>Year 3</u> \$2,300,000	<u>Year 4</u> \$2,300,000	<u>Year 5</u> \$2,300,000	<u>Year 6</u> \$2,300,000	<u>Year 7</u> \$2,300,000			
Accrual Acco	ountina:											
	g.	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7			
	Sales	0	\$2,300,000	\$2,300,000	\$2,300,000	\$2,300,000	\$2,300,000	\$2,300,000	\$2,300,000			
	Depreciation	0	-\$1,142,857	-\$1,142,857	-\$1,142,857	-\$1,142,857	-\$1,142,857	-\$1,142,857	-\$1,142,857			
	Net Income	\$0	\$1,157,143		\$1,157,143	\$1,157,143	\$1,157,143	\$1,157,143	\$1,157,143			
	Net Book Value (NBV)	\$8,000,000	\$6,857,143	\$5,714,286	\$4,571,429	\$3,428,571	\$2,285,714	\$1,142,857	\$0			
	otential Capital Investments 1) Payback Period:											
	i) Fayback Fellou.	Initial Investment	÷	Annual Cash Inflow	= P	ayback in Years						
		\$8,000,000	÷	\$2,300,000	=	3.47826087 y	eare					
		φο,υυυ,υυυ	-	φ2,300,000	-	0.47020001 y	cars					
	2) AARR:											
	Z) AAIIII.	Avg. Op. Income	÷	Initial Investment	= A	ccrual Accounting Ra	ate of Return					
		\$1,157,143	÷	\$8,000,000	= 1		ccrual Account	ing Rate of Retu	rn			
		Ψ1,107,140	•	ψο,οσο,οσο								
	3) NPV:											
	•,	Discount Rate:	10%									
			0	1	2	3	4	5	6	7		
			Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	TOTAL	
		Net Inflow (Outflow)	-\$8,000,000	\$2,300,000	\$2,300,000	\$2,300,000	\$2,300,000	\$2,300,000	\$2,300,000	\$2,300,000		
		Present Value Factor	1.00000	0.90909	0.82645	0.75131	0.68301	0.62092	0.56447	0.51316		
		Net Present Value	-\$8,000,000	\$2,090,909	\$1,900,826	\$1,728,024	\$1,570,931	\$1,428,119	\$1,298,290	\$1,180,264	\$3,197,363 NPV	
	A) IDD.											
	4) IRR:	Discount Rate:	21%	Internal Rate of Return								
		Diocount rate.	0	1	2	3	4	5	6	7		
			Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	<u>TOTAL</u>	
				<u> </u>		<u>-</u>				·		

\$2,300,000

\$1,562,749

0.67946

\$2,300,000

0.56007

\$1,288,160

\$2,300,000

0.46166

\$1,061,819

\$2,300,000

0.38054

\$875,248

\$2,300,000

0.31368

\$721,460

\$2,300,000

0.25856

\$594,693

\$0 NPV

\$2,300,000

0.82429

\$1,895,870

-\$8,000,000

-\$8,000,000

1.00000