

Latex Template

Ty Yiu

25 September 2018

1 Calculating NPV and The Payback Period

This is what we call the initial aspect of entrepreneurial finance. It is called Investment Appraisal. It is about why someone would attach value to your business.

Capital cost, the amount needed for a venture A. Cumulative cash flow

$$A + (B - C)/D = \textit{Paybackperiod}$$

Net present value can also be seen as the current value.

Both NPV and payback period can be used by both, companies and potential investors in determining and making financial decisions. It is always advisable to establish a basic framework of financial prudence.

2 Ratio analysis

We have five main types of ratios, the first of which is financial ratios, liquidity ratio, investment ratios, gearing ratios and profitability ratios.

Identify aspects of business components and looking at qualitative processes.

2.1 Liquidity

Is all about cash flow.

Investment ratios help investors determining whether an investment is worth investing in.

Liquidity ratios have mainly to do with acid test and current ratio.

3 Homework

Identify using a PLC, its financial statements (profit/loss balancesheet) and calculate five ratios.

Use EPS 8

Password for MIT simulation: A1