Module 6 Section for Completion

A) Financial Statements

1. Fill in the income statement, balance sheet, and cash flow statement template forms provided using your business' numbers/projected numbers.

2. Make a list explaining your findings on these statements, and note any strong/weak areas in your company's financials.

Income statement:_____
_____
_____

Balance sheet:_____
_____
_____

Cash flow statement:_____
_____
_____

Overall strengths/weaknesses:_____
_____
_____
_____

B) NPV Analysis

1. Generate a discount rate that is relevant to your business, based on your estimated opportunity cost/cost of capital. Consider the current rates of different investments in your estimate. Compare this number with some other companies' discount rates, which can be found on the internet.

   a) Current risk-free interest rates in market (T-Bills, bonds): _____ %
   b) Your discount rate: _____%

2. Generate projected cash flows for your business/business project for five years.

   Year 1: $_____
   Year 2: $_____
   Year 3: $_____
   Year 4: $_____
   Year 5: $_____

3. Create an NPV analysis statement for your business using your initial costs, projected cash flows, and estimated cost of capital.

Remember, the Discounted Cash Flow (DCF) for year t = $\frac{\$\text{Cash flow}}{(1+\text{discount rate})^{\text{to the power of t}}}$

STEP 1. Calculate your Discounted Cash Flows (DCF's) for each of the 5 years:

DCF(t5) = $\frac{\$\_\_\_\_\_}{(1+\_\_\_\_\_)^5}$ = [ ]

DCF(t4) = $\frac{\$\_\_\_\_\_}{(1+\_\_\_\_\_)^4}$ = [ ]

DCF(t3) = $\frac{\$\_\_\_\_\_}{(1+\_\_\_\_\_)^3}$ = [ ]

DCF(t2) = $\frac{\$\_\_\_\_\_}{(1+\_\_\_\_\_)^2}$ = [ ]

DCF(t1) = $\frac{\$\_\_\_\_\_}{(1+\_\_\_\_\_)^1}$ = [ ]

STEP 2. ADD UP ALL OF THE DCF's, and minus your initial cost (which can also be called DCF(t0).

NPV= Initial cost (negative) + DCF(t1) + DCF(t2) + DCF(t3) + DCF(t4) + DCF(t5)

NPV= _____+_____+_____+_____+_____

NPV= _____