

C.B. TECHNIQUES:

Methods used to Judge whether a project is economically Justified?

(A) Non-Discounted CF techniques:

1. Total Cash Flow ✓
2. Accounting rate of return ✓
3. Payback period ✓

(B) Discounted CF techniques:

4. Discounted payback period ✓
5. NPV ✓
6. Profitability Index:

$$PI > 1; = \frac{NPV}{Ini. Inv.} = PVR = \frac{Benefit - I_0}{I_0} \quad @ \text{Time } 0$$

BCR: Benefit Cost ratio $\left(\begin{array}{c} > \\ > \\ > \end{array} \right) 1 = \frac{Benefit}{Ini. Inv + cost.}$

7. IRR, rate \rightarrow NPV = 0 ✓

$$0 = -Ini. Inv + \frac{CF_1}{(1+IRR)^1} + \frac{CF_2}{(1+IRR)^2} \dots$$

3. PV of CF vs NPV of CF

PI > 1, PV of CF Does NOT take I_0 into consideration.

PVR > 0, NPV of CF Does _____ .

b/.

E. J. ...
Z