

Finance
Cash Flows Assignment
2007 Summer Business Program
Miles Cahill

Team 1

You have been offered the opportunity to buy an equity stake in a new company for \$50,000. The firm will have revenues and costs starting next year, according to the table below. Calculate the NPV of your investment opportunity by filling in the empty boxes on the table below. Also, draw a timeline.

interest rate = 10%

| Year | Revenue | Cost | Net revenue (Net CF) | PV (NCF) |
|------------------------|---------|--------|----------------------|----------|
| 2007 | NA | 50,000 | NA | NA |
| 2008 | 10,000 | 2,500 | | |
| 2009 | 15,000 | 1,500 | | |
| 2010 | 25,000 | 1,500 | | |
| 2011 | 30,000 | 1,500 | | |
| Sum of PV of Net CF | | | | |
| NPV | | | | |

Summary of other teams

| Team: | 2 | 4 | 5 | 6 | 7 |
|----------------|--------|--------|--------|--------|---------|
| Year | Net CF | Net CF | Net CF | Net CF | Net CF |
| 2007 | NA | NA | NA | NA | NA |
| 2008 | 7,500 | 0 | 37,500 | 14,407 | 15,000 |
| 2009 | 13,500 | 7,500 | 12,500 | 16,940 | 27,000 |
| 2010 | 23,500 | 13,500 | 8,500 | 18,634 | 47,000 |
| 2011 | 28,500 | 23,500 | -1,475 | 20,497 | 57,000 |
| 2012 | NA | 28,500 | NA | NA | NA |
| investment: | 50,000 | 50,000 | 50,000 | 50,000 | 100,000 |
| interest rate: | 15% | 10% | 10% | 10% | 10% |

PV (CF)

NPV

| | | | | | |
|-------|----------|---------------|----------------|---------------|-------------|
| Notes | Higher i | Delayed start | faster payback | Smooth PV NCF | Double inv. |
|-------|----------|---------------|----------------|---------------|-------------|

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Team 2

You have been offered the opportunity to buy an equity stake in a new company for \$50,000. The firm will have revenues and costs starting next year, according to the table below. Calculate the NPV of your investment opportunity by filling in the empty boxes on the table below. Also, draw a timeline.

interest rate = 15%

| Year | Revenue | Cost | Net revenue (Net CF) | PV (NCF) |
|---------------------|---------|--------|----------------------|----------|
| 2007 | NA | 50,000 | NA | NA |
| 2008 | 10,000 | 2,500 | | |
| 2009 | 15,000 | 1,500 | | |
| 2010 | 25,000 | 1,500 | | |
| 2011 | 30,000 | 1,500 | | |
| Sum of PV of Net CF | | | | |
| NPV | | | | |

Summary of other teams

| Team: | 1 | 4 | 5 | 6 | 7 |
|----------------|--------|--------|--------|--------|---------|
| Year | Net CF | Net CF | Net CF | Net CF | Net CF |
| 2007 | NA | NA | NA | NA | NA |
| 2008 | 7,500 | 0 | 37,500 | 14,407 | 15,000 |
| 2009 | 13,500 | 7,500 | 12,500 | 16,940 | 27,000 |
| 2010 | 23,500 | 13,500 | 8,500 | 18,634 | 47,000 |
| 2011 | 28,500 | 23,500 | -1,475 | 20,497 | 57,000 |
| 2012 | NA | 28,500 | NA | NA | NA |
| investment: | 50,000 | 50,000 | 50,000 | 50,000 | 100,000 |
| interest rate: | 10% | 10% | 10% | 10% | 10% |

PV (CF)

NPV

| | | | | | |
|-------|----------|---------------|----------------|---------------|-------------|
| Notes | Baseline | Delayed start | faster payback | Smooth PV NCF | Double inv. |
|-------|----------|---------------|----------------|---------------|-------------|

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Team 4

You have been offered the opportunity to buy an equity stake in a new company for \$50,000. The firm will have revenues and costs starting next year, according to the table below. Calculate the NPV of your investment opportunity by filling in the empty boxes on the table below. Also, draw a timeline.

interest rate = 10%

| Year | Revenue | Cost | Net revenue (Net CF) | PV (NCF) |
|---------------------|---------|--------|----------------------|----------|
| 2007 | NA | 50,000 | NA | NA |
| 2008 | 0 | 0 | | |
| 2009 | 10,000 | 2,500 | | |
| 2010 | 15,000 | 1,500 | | |
| 2011 | 25,000 | 1,500 | | |
| 2012 | 30,000 | 1,500 | | |
| Sum of PV of Net CF | | | | |
| NPV | | | | |

Summary of other teams

| Team: | 1 | 2 | 5 | 6 | 7 |
|----------------|--------|--------|--------|--------|---------|
| Year | Net CF | Net CF | Net CF | Net CF | Net CF |
| 2007 | NA | NA | NA | NA | NA |
| 2008 | 7,500 | 7,500 | 37,500 | 14,407 | 15,000 |
| 2009 | 13,500 | 13,500 | 12,500 | 16,940 | 27,000 |
| 2010 | 23,500 | 23,500 | 8,500 | 18,634 | 47,000 |
| 2011 | 28,500 | 28,500 | -1,475 | 20,497 | 57,000 |
| 2012 | NA | NA | NA | NA | NA |
| investment: | 50,000 | 50,000 | 50,000 | 50,000 | 100,000 |
| interest rate: | 10% | 15% | 10% | 10% | 10% |

PV (CF)

NPV

| | | | | | |
|-------|----------|----------|----------------|---------------|-------------|
| Notes | Baseline | Higher i | faster payback | Smooth PV NCF | Double inv. |
|-------|----------|----------|----------------|---------------|-------------|

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Team 5

You have been offered the opportunity to buy an equity stake in a new company for \$50,000. The firm will have revenues and costs starting next year, according to the table below. Calculate the NPV of your investment opportunity by filling in the empty boxes on the table below. Also, draw a timeline.

interest rate = 10%

| Year | Revenue | Cost | Net revenue (Net CF) | PV (NCF) |
|---------------------|---------|--------|----------------------|----------|
| 2007 | NA | 50,000 | NA | NA |
| 2008 | 40,000 | 2,500 | | |
| 2009 | 14,000 | 1,500 | | |
| 2010 | 10,000 | 1,500 | | |
| 2011 | 25 | 1,500 | | |
| Sum of PV of Net CF | | | | |
| NPV | | | | |

Summary of other teams

| Team: | 1 | 2 | 4 | 6 | 7 |
|----------------|--------|--------|--------|--------|---------|
| Year | Net CF | Net CF | Net CF | Net CF | Net CF |
| 2007 | NA | NA | NA | NA | NA |
| 2008 | 7,500 | 7,500 | 0 | 14,407 | 15,000 |
| 2009 | 13,500 | 13,500 | 7,500 | 16,940 | 27,000 |
| 2010 | 23,500 | 23,500 | 13,500 | 18,634 | 47,000 |
| 2011 | 28,500 | 28,500 | 23,500 | 20,497 | 57,000 |
| 2012 | NA | NA | 28,500 | NA | NA |
| investment: | 50,000 | 50,000 | 50,000 | 50,000 | 100,000 |
| interest rate: | 10% | 15% | 10% | 10% | 10% |

PV (CF)

NPV

| | | | | | |
|-------|----------|----------|---------------|---------------|-------------|
| Notes | Baseline | Higher i | Delayed start | Smooth PV NCF | Double inv. |
|-------|----------|----------|---------------|---------------|-------------|

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Team 6

You have been offered the opportunity to buy an equity stake in a new company for \$50,000. The firm will have revenues and costs starting next year, according to the table below. Calculate the NPV of your investment opportunity by filling in the empty boxes on the table below. Also, draw a timeline.

interest rate = 10%

| Year | Revenue | Cost | Net revenue (Net CF) | PV (NCF) |
|---------------------|---------|--------|----------------------|----------|
| 2007 | NA | 50,000 | NA | NA |
| 2008 | 15,807 | 1,400 | | |
| 2009 | 18,340 | 1,400 | | |
| 2010 | 20,034 | 1,400 | | |
| 2011 | 21,897 | 1,400 | | |
| Sum of PV of Net CF | | | | |
| NPV | | | | |

Summary of other teams

| Team: | 1 | 2 | 4 | 5 | 6 |
|----------------|--------|--------|--------|--------|--------|
| Year | Net CF | Net CF | Net CF | Net CF | Net CF |
| 2007 | NA | NA | NA | NA | NA |
| 2008 | 7,500 | 7,500 | 0 | 37,500 | 14,407 |
| 2009 | 13,500 | 13,500 | 7,500 | 12,500 | 16,940 |
| 2010 | 23,500 | 23,500 | 13,500 | 8,500 | 18,634 |
| 2011 | 28,500 | 28,500 | 23,500 | -1,475 | 20,497 |
| 2012 | NA | NA | 28,500 | NA | NA |
| investment: | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| interest rate: | 10% | 15% | 10% | 10% | 10% |

| PV (CF) | | | | | |
|---------|----------|----------|---------------|----------------|---------------|
| NPV | | | | | |
| Notes | Baseline | Higher i | Delayed start | faster payback | Smooth PV NCF |

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Team 7

You have been offered the opportunity to buy an equity stake in a new company for \$100,000. The firm will have revenues and costs starting next year, according to the table below. Calculate the NPV of your investment opportunity by filling in the empty boxes on the table below. Also, draw a timeline.

interest rate = 10%

| Year | Revenue | Cost | Net revenue (Net CF) | PV (NCF) |
|------------------------|---------|---------|----------------------|----------|
| 2007 | NA | 100,000 | NA | NA |
| 2008 | 20,000 | 5,000 | | |
| 2009 | 30,000 | 3,000 | | |
| 2010 | 50,000 | 3,000 | | |
| 2011 | 60,000 | 3,000 | | |
| Sum of PV of Net CF | | | | |
| NPV | | | | |

Summary of other teams

| Team: | 1 | 2 | 4 | 5 | 6 |
|----------------|--------|--------|--------|--------|--------|
| Year | Net CF | Net CF | Net CF | Net CF | Net CF |
| 2007 | NA | NA | NA | NA | NA |
| 2008 | 7,500 | 7,500 | 0 | 37,500 | 14,407 |
| 2009 | 13,500 | 13,500 | 7,500 | 12,500 | 16,940 |
| 2010 | 23,500 | 23,500 | 13,500 | 8,500 | 18,634 |
| 2011 | 28,500 | 28,500 | 23,500 | -1,475 | 20,497 |
| 2012 | NA | NA | 28,500 | NA | NA |
| investment: | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| interest rate: | 10% | 15% | 10% | 10% | 10% |

| PV (CF) | | | | | |
|---------|----------|----------|---------------|----------------|---------------|
| NPV | | | | | |
| Notes | Baseline | Higher i | Delayed start | faster payback | Smooth PV NCF |
| | | | | | |