

## **INVESTMENT ANALYSIS YEARLY EXAMPLE WITH EXPENSES ONLY COMPARISON Canadian Example**

### **INTRODUCTION**

This example shows how to compare two investments that;

1. Involves an investment in equipment
2. Incurs operating costs

Uses the “Invest Expenses Only Yearly Projection” template and the “Incremental Cash Flow Report” because revenues are not relevant to the investment decisions.

### **EXAMPLE**

A organization needs to install monitoring equipment to measure the number of units processed per hour and has received proposals from two suppliers and needs to decide which is the most economic alternative over a seven year period.

#### **General Information**

Analysis Period: 7 Years  
Corporate Marginal Tax Rate: 33.00%  
% of Capital Gain: 50.00%  
Discount Rate (Before Tax): 15.00%  
Depreciation: CCA Rate 30.00%

#### **Supplier A.**

**Investment:** \$500,000  
**Repairs & Maintenance:** \$35,000 for the first year increasing at 4.00% per year compounding  
**Utilities:** \$250 per month for the first year then increasing at 3.00% per year compounded  
**Working Capital for spare parts:** \$30,000  
**Salvage Value:** \$15,000

#### **Supplier B**

**Investment:** \$400,000  
**Maintenance Contract:** Supplier B will provide a maintenance contract, which includes parts and labor at \$4,000 per month for five years and then \$5,500 per month for the remaining two years. The maintenance contract excludes overtime calls.  
**Estimated overtime maintenance costs;**  
Hourly Rate: \$60 per hour for the first year then increasing at 3.00% per year compounded  
No. of Hours per year: Year 1 - 100 hours increasing at 4.00% compounding per year for the next two years then 7.00% per year compounded  
**Utilities:** \$300 per month for the first year then increasing at 3.00% per year compounded  
**Working Capital:** Zero  
**Salvage Value:** \$15,000

### **TEMPLATE SELECTION**

The selection of the appropriate template is based on the following;

1. The analysis is not impacted by the revenues, which is the same for both options
2. Projections are Yearly

Template: Invest Expenses Only Yearly projections

### **STEPS**

Using the Invest Expenses Only Yearly projections template;

1. Enter the analysis for Supplier A and save
2. Enter the analysis for Supplier B and save
3. Use the "Project Comparison Report" or the "Incremental Cash Flow Report" to compare the two options

### **SUMMARY OF THE TEMPLATE INPUT INFORMATION**

#### **Supplier A**

##### **Project Info Folder**

Project Name: Monitor from Supplier A  
Project Description: Production Line Measuring System  
Analysis Period: 7 years

##### **Investor Folder**

Marginal Tax Rate: 33.00%  
% of Capital Gain: 50.00%  
Discount Rate (Before Tax): 15.00%

##### **Investment Folder**

Description: Equipment  
Amount: \$500,000  
CCA Rate: 30.00%

##### **Working Capital Folder**

Working Capital: Year 1 \$30,000

##### **Expenses Folder**

**Repairs & Maintenance:** \$35,000 for first year increasing at 4.00% per year compounded  
**Utilities:** \$250 per month for the first year then increasing at 3.00% per year compounded

##### **Financing Folder**

No financing

##### **Salvage Value Folder**

Salvage Value: \$15,000

## **Supplier B**

### **Project Info Folder**

Project Name: Monitor from Supplier B  
Project Description: Production Line Measuring System  
Analysis Period: 7 years

### **Investor Folder**

Marginal Tax Rate: 33.00%  
% of Capital Gain: 50.00%  
Discount Rate (Before Tax): 15.00%

### **Investment Folder**

Description: Equipment  
Amount: \$400,000  
CCA Rate: 30.00%

### **Working Capital Folder**

Working Capital: Zero

### **Expenses Folder**

**Maintenance Contract:** \$4,000 per Month for five years then \$5,500 for the remaining two years compounding

#### **Overtime Service Costs:**

**Hourly Rate:** \$60 per Hour for first year then increasing at 3.00% per year compounded

**No. of Hours per Year:** 100 for the first year then increasing at 4.00% compounding for the next two years then 7.00% compounding per year for the remaining years

**Utilities:** \$300 per month for the first year then increasing at 3.00% per year compounded

### **Financing Folder**

No financing

### **Salvage Value Folder**

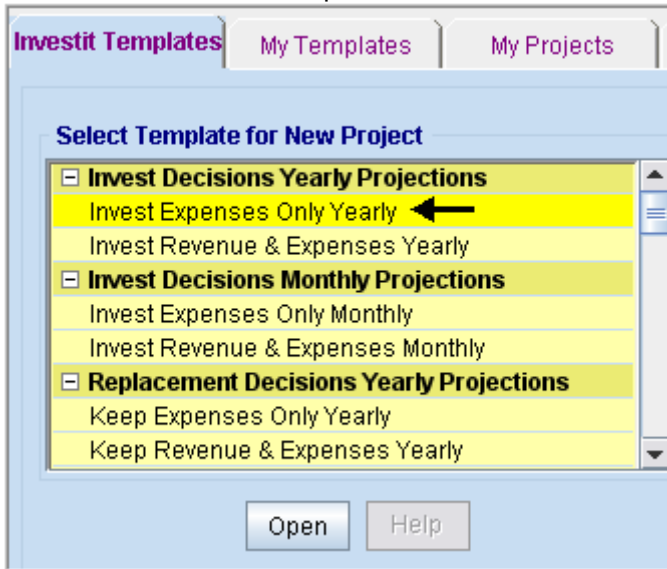
Salvage Value: \$15,000

## INSTRUCTIONS OR ENTERING SUPPLIER A

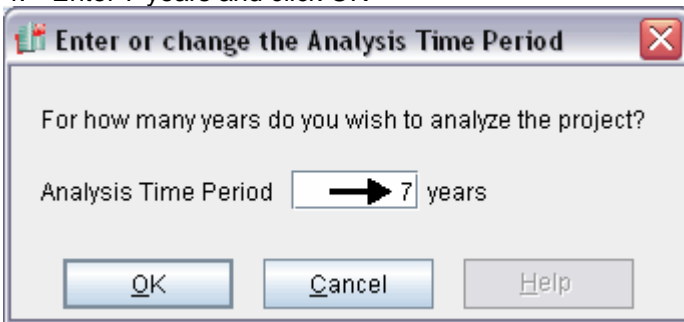
### Getting started

The first step is to open the Investit Decisions Template “Invest Expenses Only Yearly” as follows:

1. Open Investit Decisions.
2. Select the Investit Templates folder



3. Select and open the Investit template “Invest Expenses Only Yearly”. The analysis period dialog will open at this point.
4. Enter 7 years and click OK



## Entering the project data and information

### Project Info Folder

1. Enter the Property Name: Monitor from Supplier A
2. Enter Description: Production Line Measuring System

The project info folder should look like this;

Project Info.	Investor	Investment	Working Capital
<b>Report Headers</b>			
Project Name	<input type="text" value="Monitor from Supplier A"/>		
Project Description	<input type="text" value="Production Line Measuring System"/>		
<b>Analysis Time Period</b>			
<input type="text" value="7"/> Years	<input type="button" value="Change Analysis Time Period"/>		
<b>Entry Information</b>			
Enter Revenue and Expenses	<input type="text" value="Yearly"/>	<input type="button" value="Change Entry Information"/>	
Starting Date	<input type="text" value="January Year 1"/>		

### Investor Folder

1. Enter the Investor's Marginal Tax Rate: 33.00%
2. Enter the Discount Rate Before Tax: 15.00%

The investor folder should look like this;

### Investment Folder

The investment folder should appear like this;

Description	Amount	Year	Month	CCA Class	CCA Rate	First Year	Claim CCA in Last Year
Land	\$ 0	Year 1	Jan	Land			
Building	\$ 0	Year 1	Jan	Building	4.00%	50.00%	<input checked="" type="checkbox"/>
Equipment & Machinery	\$ 0	Year 1	Jan	Equipment/Machinery	30.00%	50.00%	<input checked="" type="checkbox"/>

1. Individually Delete rows 'Land' and 'Building' by selecting the row and clicking on the "Delete" button.
2. Change 'Equipment & Machinery' to 'Equipment'
3. Complete the Investment folder as follows:

The Investment folder should now look like this

Project Info.	Investor	Investment	Working Capital	Expenses	Financing		
CCA Claim Option: Full CCA Claim							
Inflate			CCA Claim Setting				
Description	Amount	Year	Month	CCA Class	CCA Rate	First Year	Claim CCA in Last Year
Equipment	\$ 500,000	Year 1	Jan	Equipment/Machinery	30.00%	50.00%	<input checked="" type="checkbox"/>

## Working Capital Folder

**Working Capital: \$30,000**

Steps for setting up the Working Capital folder

The Working Capital folder should appear like this;

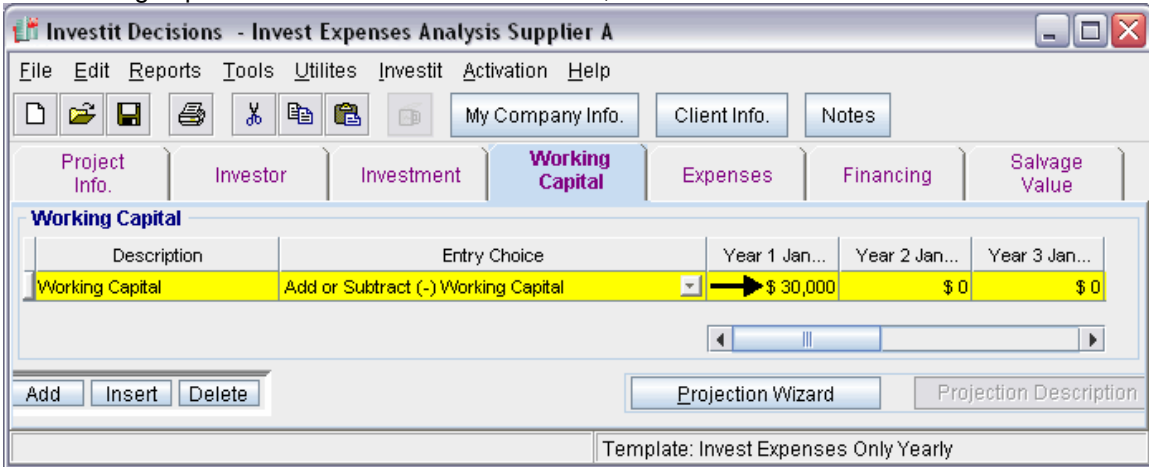
The screenshot shows the 'Investit Decisions - Untitled Project' window. The 'Working Capital' tab is active. The main grid displays the following data:

Description	Entry Choice	Year 1 Jan...	Year 2 Jan...	Year 3 Jan...
Working Capital	Add or Subtract (-) Working Capital	\$ 0	\$ 0	\$ 0

Below the grid are buttons for 'Add', 'Insert', and 'Delete'. At the bottom right, there is a 'Projection Wizard' button and a 'Projection Description' field. The template is identified as 'Invest Expenses Only Yearly'.

1. Enter \$30,000 into the grid for Year 1 Jan

The working capital folder should now look like this;



### Expenses Folder

**Repairs & Maintenance:** \$35,000 for first year increasing at 4.00% per year compounded.

**Utilities:** \$250 per month for the first year then increasing at 3.00% per year compounded.

The expenses folder should appear like this;

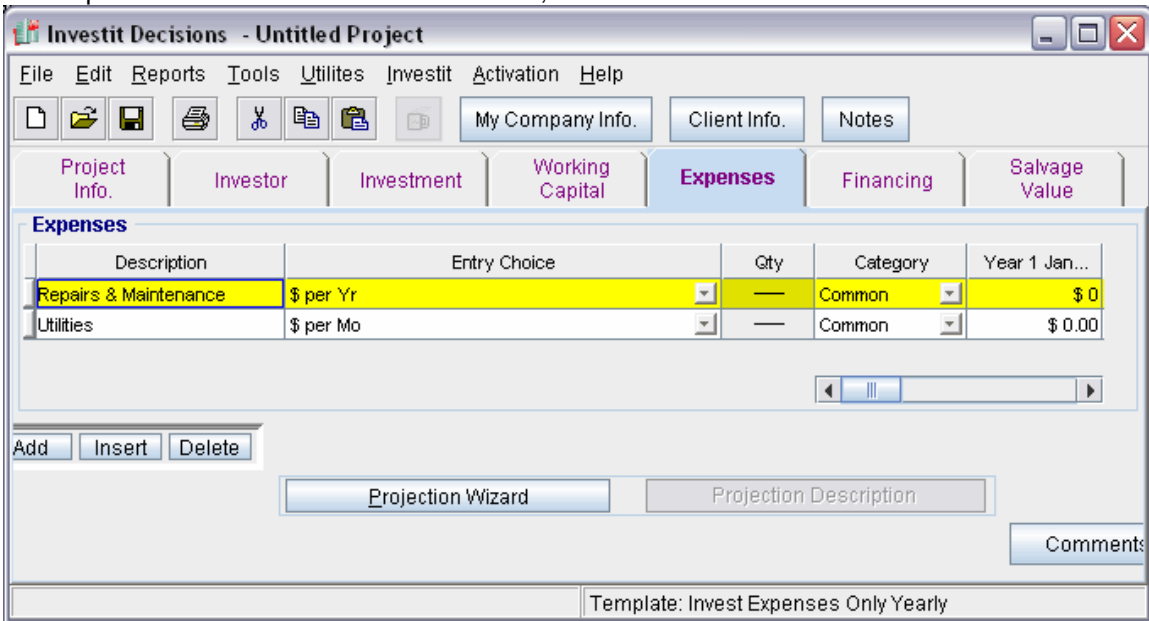
Description	Entry Choice	Qty	Category	Year 1 Jan...
Labor	\$ per Yr	—	Common	\$ 0
Materials	\$ per Yr	—	Common	\$ 0
Repairs & Maintenance	\$ per Yr	—	Common	\$ 0
Utilities	\$ per Yr	—	Common	\$ 0
Insurance	\$ per Yr	—	Common	\$ 0
Incremental Overhead	\$ per Yr	—	Common	\$ 0
Rent	\$ per Sq. Ft per Yr	0	Common	\$ 0.00

Steps for setting up the Expenses folder

1. Individually Delete rows 'Labor', 'Materials', 'Insurance', 'Incremental Overhead' and 'Rent' by selecting the row and clicking on the "Delete" button.
2. Select row with description 'Utilities'
3. Select the entry choice '\$ per Mo'

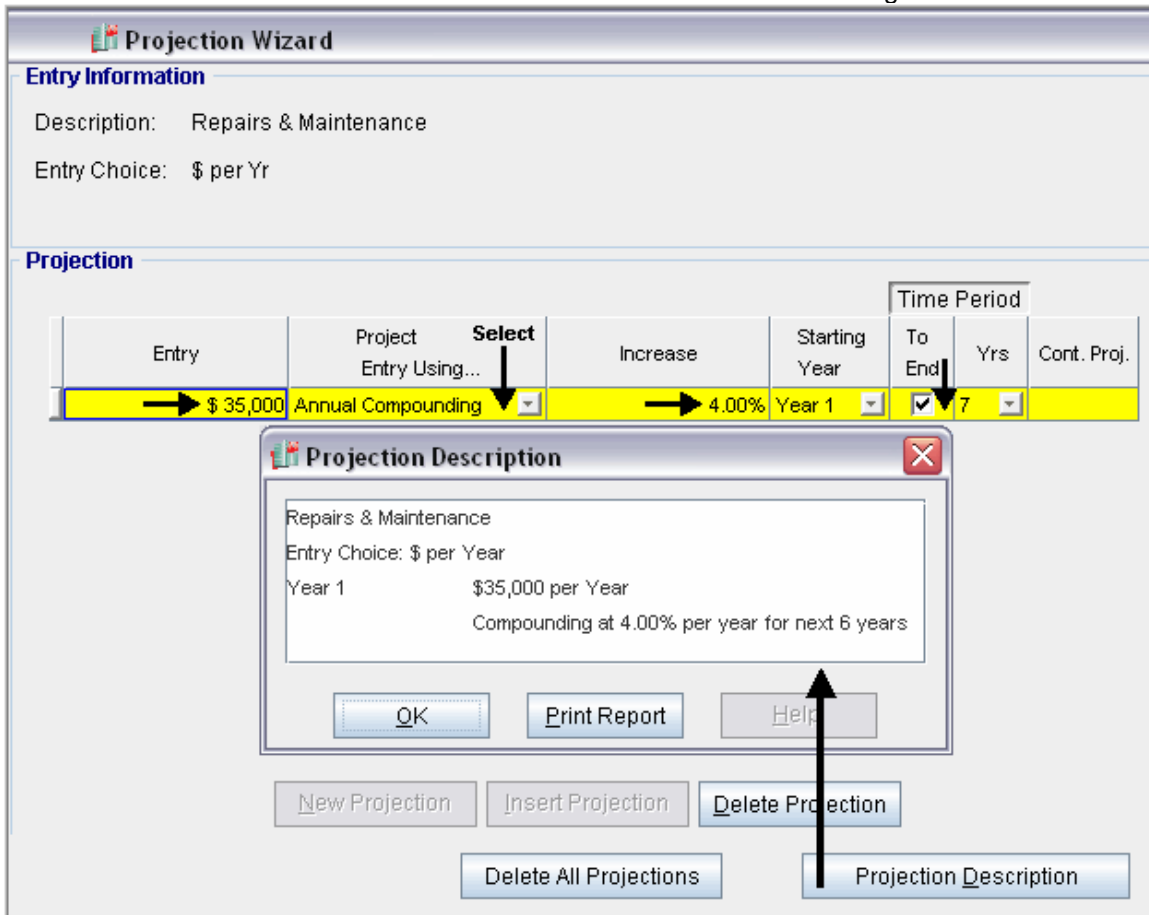


The expenses folder should now look like this;




Steps for setting up the Repairs & Maintenance

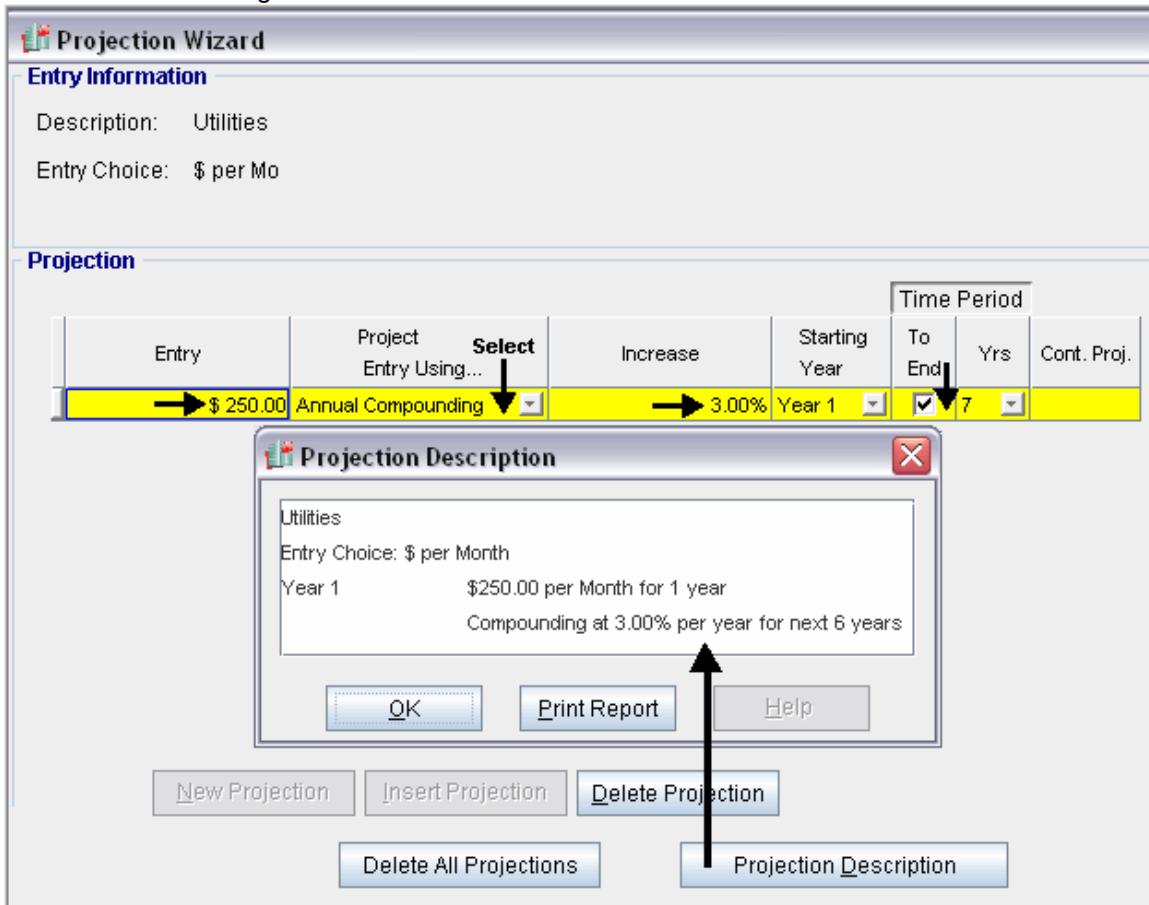
1. Select row 1 'Repairs & Maintenance'
2. Click on the **Projection Wizard** button. Enter the following Entries



Press OK to save your entries and return to the Expenses folder

Steps for setting up the Utilities

1. Select row 2 'Utilities'
2. Click on the  button.
3. Enter the following entries



Press OK to save your entries and return to the Expenses folder

### Financing Folder

This example does not contain any financing.

### Salvage Value Folder

Salvage Value: \$15,000

This example does not contain any Disposition Costs so only the Salvage Value needs to be entered.

The Salvage Value should appear like this;

Working Capital	Expenses	Financing	Salvage Value
<b>Disposition Costs</b>			
Description	Entry Choice	Expense	
Selling Expenses	% of Salvage Value ▾	0.00%	
Legal Fees	% of Salvage Value ▾	0.00%	
<input type="button" value="Add"/> <input type="button" value="Insert"/> <input type="button" value="Delete"/> <input type="button" value="Move"/>			
<b>Salvage Value</b>			
Description	Capital Investment	Salvage Value	
Equipment	\$ 500,000	\$ 0	

Enter \$15,000 into the grid for Equipment

The Salvage Value should now look like this;

Working Capital	Expenses	Financing	Salvage Value
<b>Disposition Costs</b>			
Description	Entry Choice	Expense	
Selling Expenses	% of Salvage Value ▾	0.00%	
Legal	% of Salvage Value ▾	0.00%	
<input type="button" value="Add"/> <input type="button" value="Insert"/> <input type="button" value="Delete"/> <input type="button" value="Move"/>			
<b>Salvage Value</b>			
Description	Capital Investment	Salvage Value	
Equipment	\$ 500,000	➔ \$ 15,000	

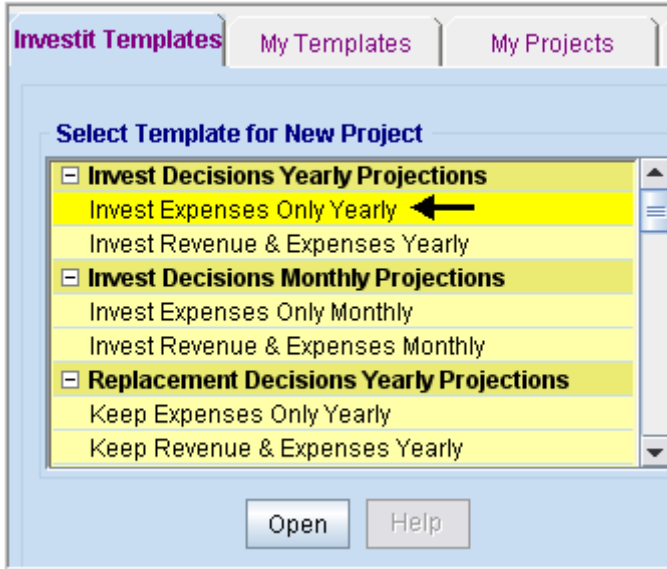
**SAVE YOUR PROJECT**

## INSTRUCTIONS OR ENTERING SUPPLIER B

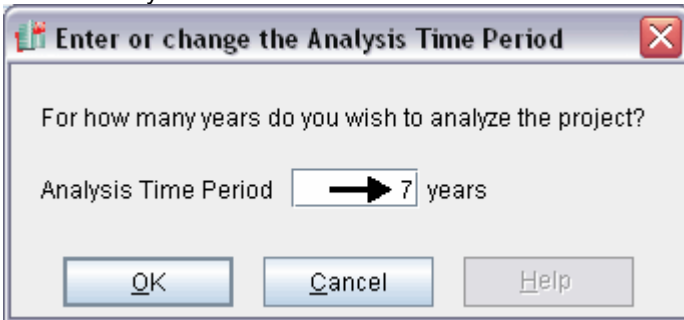
### Getting started

The first step is to open the Investit Decisions Template “Invest Expenses Only Yearly” as follows:

1. Open Investit Decisions.
2. Select the Investit Templates folder



3. Select and open the Investit template “Invest Expenses Only Yearly”. The analysis period dialog will open at this point.
4. Enter 7 years and click OK



### Entering the project data and information

#### Project Info Folder

1. Enter the Property Name: Monitor from Supplier B
2. Enter Description: Production Line Measuring System

The project info folder should look like this:

Project Info.	Investor	Investment	Working Capital
<b>Report Headers</b>			
Project Name	Monitor from Supplier B ←		
Project Description	Production Line Measuring System ←		
<b>Analysis Time Period</b>			
	7	Years	Change Analysis Time Period
<b>Entry Information</b>			
Enter Revenue and Expenses	Yearly		Change Entry Information
Starting Date	January Year 1		

### Investor Folder

1. Enter Investor's Marginal Tax Rate: 33.00%
2. Enter the Discount Rate Before Tax: 15.00%

The investor folder should look like this:

Project Info.	Investor	Investment
<input type="checkbox"/> Turn off Tax Calculations		
Investor's Marginal Tax Rate	→ 33.00%	
<b>Tax Calculation on Sale based on</b>		
<input checked="" type="radio"/> Percentage of Capital Gain	50.00%	
<input type="radio"/> Income Tax		
<b>Discount Rate or Desired Return on Investment</b>		
Before Tax	→ 15.00%	
After Tax	9.75%	

### Investment Folder

The investment folder should appear like this;

Project Info.	Investor	Investment	Working Capital	Expenses	Financing	Salvage Value	
CCA Claim Option: Full CCA Claim							
<b>Investments</b>							
Inflate				CCA Claim Setting			
Description	Amount	Year	Month	CCA Class	CCA Rate	First Year	Claim CCA in Last Year
Land	\$ 0	Year 1	Jan	Land			
Building	\$ 0	Year 1	Jan	Building	4.00%	50.00%	<input checked="" type="checkbox"/>
Equipment & Machinery	\$ 0	Year 1	Jan	Equipment/Machinery	30.00%	50.00%	<input checked="" type="checkbox"/>

1. Individually Delete rows 'Land' and 'Building' by selecting the row and clicking on the "Delete" button.
2. Change 'Equipment & Machinery' to 'Equipment'
3. Complete the Investment folder as follows:

Project Info.	Investor	Investment	Working Capital	Expenses	Financing		
CCA Claim Option: Full CCA Claim							
<b>Investments</b>							
Inflate			CCA Claim Setting				
Description	Amount	Year	Month	CCA Class	CCA Rate	First Year	Claim CCA in Last Year
Equipment	\$ 400,000	Year 1	Jan	Equipment/Machinery	30.00%	50.00%	<input checked="" type="checkbox"/>

### Working Capital Folder

The example for supplier B does not contain any Working Capital.

**Expenses Folder**

**Maintenance Contract:** \$4,000 per Month for five years then \$5,500 for the remaining two years compounding

**Overtime Service Costs:**

**Hourly Rate:** \$60 per Hour for first year then increasing at 3.00% per year compounded

**No. of Hours per Year:** 100 for the first year then increasing at 4.00% compounding for the next two years then 7.00% compounding per year for the remaining years

**Utilities:** \$300 per month for the first year then increasing at 3.00% per year compounded

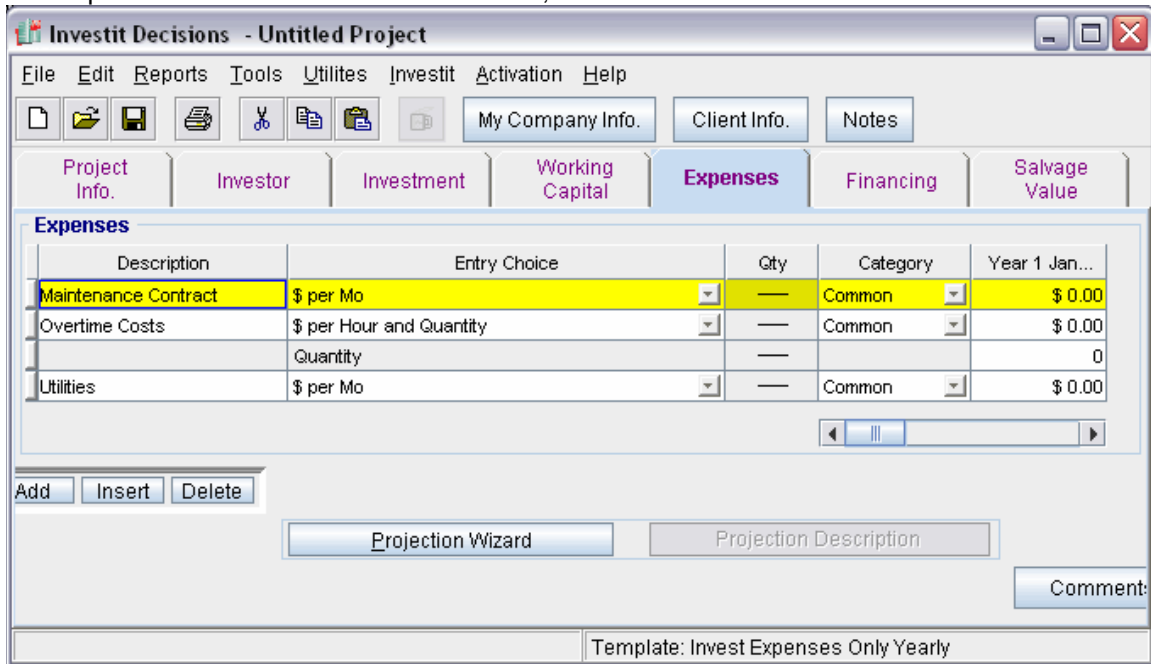
The expenses folder should appear like this;

Project Info.	Investor	Investment	Working Capital	Expenses	Financing
<b>Expenses</b>					
Description	Entry Choice	Qty	Category	Year 1 Jan...	
Labor	\$ per Yr	—	Common	\$ 0	
Materials	\$ per Yr	—	Common	\$ 0	
Repairs & Maintenance	\$ per Yr	—	Common	\$ 0	
Utilities	\$ per Yr	—	Common	\$ 0	
Insurance	\$ per Yr	—	Common	\$ 0	
Incremental Overhead	\$ per Yr	—	Common	\$ 0	
Rent	\$ per Sq. Ft per Yr	0	Common	\$ 0.00	

Steps for setting up the Expenses folder

1. Select row 1 'Labor'
2. Enter Description 'Maintenance Contract'
3. Select Entry Choice '\$ per Mo'
4. Select row 2 with description 'Materials'
5. Enter Description 'Overtime Costs'
6. Select Entry Choice '\$ per Hour and Quantity'
7. Individually Delete rows 'Repairs & Maintenance', 'Insurance', 'Incremental Overhead' and 'Rent' by selecting the row and clicking on the "Delete" button

The expenses folder should now look like this;



Steps for setting up the Maintenance Contract

1. Select row 1 'Maintenance Contract'
2. Click on the **Projection Wizard** button. Enter the following entries



**Projection Wizard**

**Entry Information**  
 Description: Maintenance Contract  
 Entry Choice: \$ per Mo

**Projection**

Entry	Project Entry Using...	Increase	Term	Starting Year	Time Period		Cont. Proj.
					To End	Yrs	
→ \$ 4,000.00	Stepped Projection	→ \$ 5,500.00	1	Year 1	5	5	
			2	Year 6	<input checked="" type="checkbox"/>	2	

**Stopped Projection**

New value at "End of Term" based on:

Annual Compounding Rate Increase  
 Enter Value  
 \$ Increase  
 % Increase

No. of Terms:

Show Example ->

**Projection Description**


Maintenance Contract  
 Entry Choice: \$ per Month  
 Year 1 Jan Stepped Projection  
 Term 1: \$4,000.00 per Month for 5 years  
 Term 2: Changed to \$5,500.00 per Month for 2 years

Buttons: OK, Print Report, Help

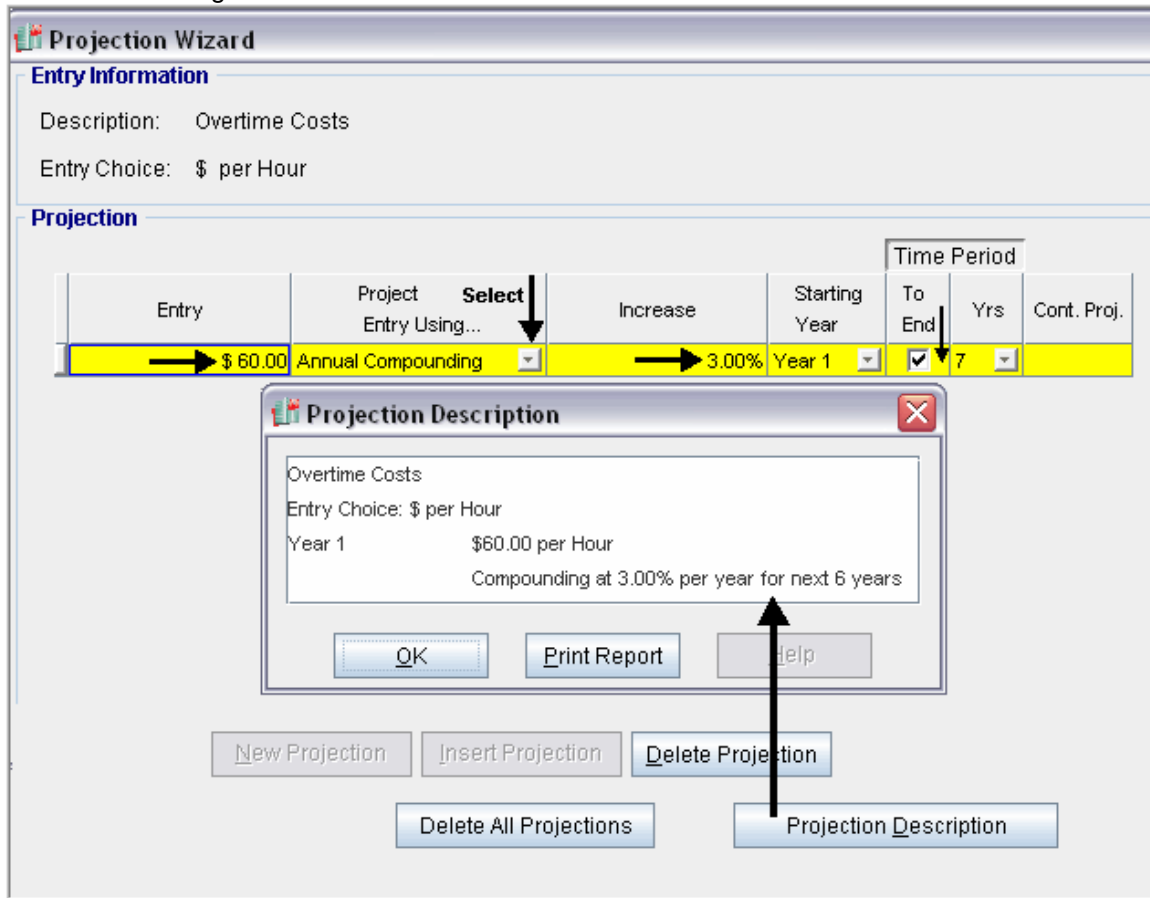
Main Wizard Buttons: New Projection, Insert Projection, Delete Projection, Edit Stepped Projection, Delete All Projections, Projection Description

Press OK in the projection wizard to save your entries and return to the Expenses folder

Steps for setting up the Overtime Costs


1. Select row with description 'Overtime Costs'
2. Click on the  button

Enter the following entries



Press OK to save your entries and return to the Expenses folder

Steps for setting up the Quantity

1. Select row with entry choice 'Quantity'
2. Click on the  button.

Enter the following entries:

**Projection Wizard**

**Entry Information**

Description: Overtime Costs  
Entry Choice: Quantity

**Projection**

Entry	Project Entry Using...	Increase	Starting Year	Time Period		Cont. Proj.
				To End	Yrs	
100	Annual Compounding	4.00%	Year 1		3	<input checked="" type="checkbox"/>
	Annual Compounding	7.00%	Year 4	<input checked="" type="checkbox"/>	4	<input checked="" type="checkbox"/>

**Projection Description**


Overtime Costs  
Entry Choice: Quantity  
Year 1 100  
Compounding at 4.00% per year for next 2 years  
then Compounding at 7.00% per year for next 4 years

Buttons: OK, Print Report, Help

Main Window Buttons: New Projection, Insert Projection, Delete Projection, Delete All Projections, Projection Description

Press OK to save your entries and return the Expenses folder

Steps for setting up the Utilities

1. Select row with description 'Utilities'
2. Click on the  button.

Enter the following entries:

**Projection Wizard**

**Entry Information**

Description: Utilities  
Entry Choice: \$ per Mo

**Projection**

Entry	Project Entry Using...	Increase	Starting Year	Time Period		Cont. Proj.
				To End	Yrs	
\$ 300.00	Annual Compounding	3.00%	Year 1	<input checked="" type="checkbox"/>	7	

**Projection Description**

Utilities  
Entry Choice: \$ per Month  
Year 1 \$300.00 per Month for 1 year  
Compounding at 3.00% per year for next 6 years

OK Print Report Help

New Projection Insert Projection Delete Projection

Delete All Projections Projection Description

Press OK in the Projection Wizard to save your entries and return to the Expenses folder

### Financing Folder

This example does not contain any financing.

**Salvage Value Folder**

Salvage Value: \$15,000

This example does not contain any Disposition Costs so only the Salvage Value needs to be entered.

The Salvage Value should appear like this;

Working Capital	Expenses	Financing	Salvage Value
<b>Disposition Costs</b>			
Description		Entry Choice	Expense
Selling Expenses		% of Salvage Value ▾	0.00%
Legal Fees		% of Salvage Value ▾	0.00%
<input type="button" value="Add"/> <input type="button" value="Insert"/> <input type="button" value="Delete"/> <input type="button" value="Move"/>			
<b>Salvage Value</b>			
Description		Capital Investment	Salvage Value
Equipment		\$ 400,000	\$ 0

Enter \$15,000 into the grid for Equipment

The Salvage Value should now look like this;

Working Capital	Expenses	Financing	Salvage Value
<b>Disposition Costs</b>			
Description		Entry Choice	Expense
Selling Expenses		% of Salvage Value ▾	0.00%
Legal		% of Salvage Value ▾	0.00%
<input type="button" value="Add"/> <input type="button" value="Insert"/> <input type="button" value="Delete"/> <input type="button" value="Move"/>			
<b>Salvage Value</b>			
Description		Capital Investment	Salvage Value
Equipment		\$ 400,000	➔ \$ 15,000

**SAVE YOUR PROJECT**

## DECIDING BETWEEN “SUPPLIER A” or “SUPPLIER B”

To decide between the two options use the;

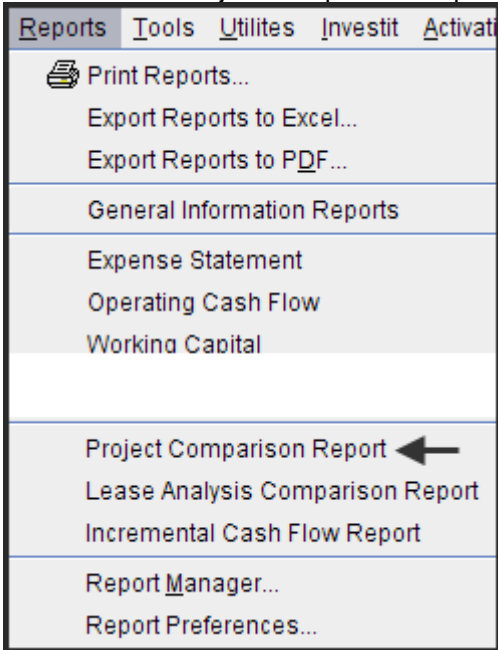
- a) The Project Comparison Report and
- b) The Incremental Cash Flow Report

### Project Comparison Report

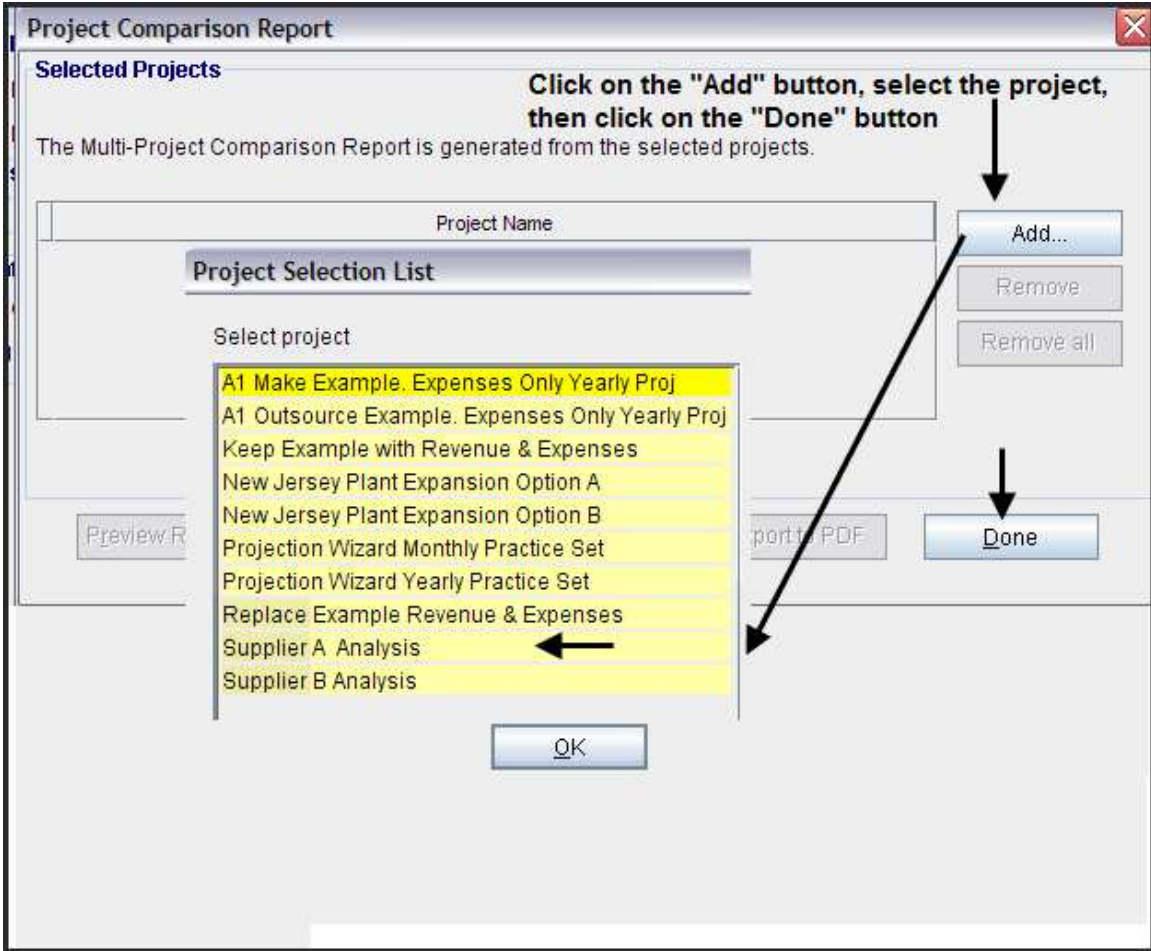
Up to four projects can be compared side by side.

Steps involved in selecting the projects for the Project Comparison Report.

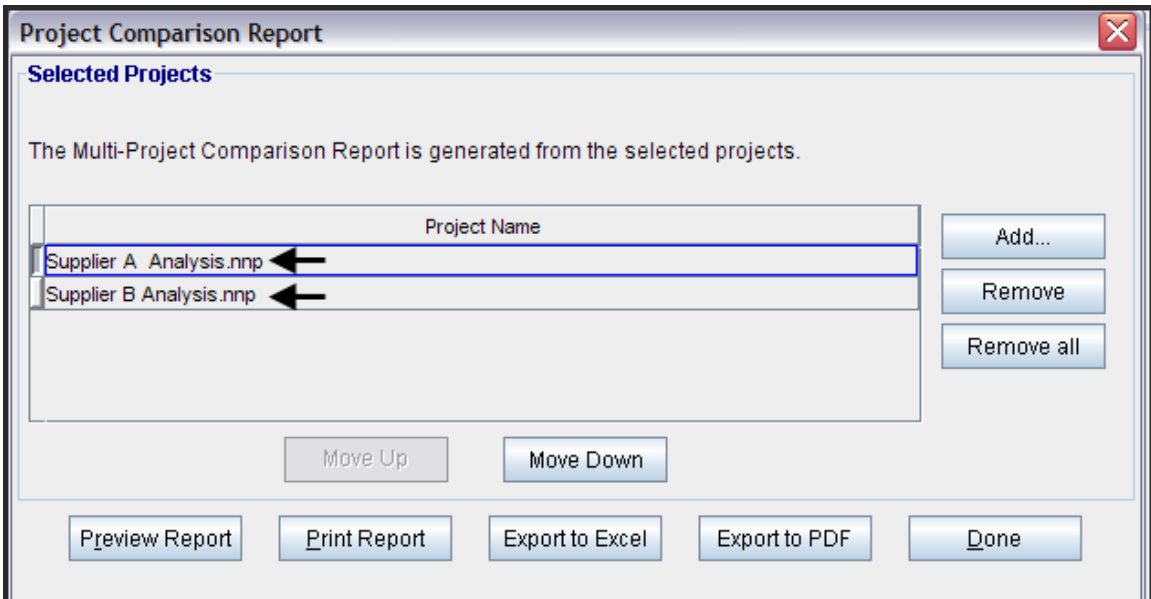
1. Select the Project Comparison Report on the Report menu



2. On the Project Comparison Report dialog click on the “Add” button to display the Report Selection List. Select the Project and click ‘Ok’. Repeat the process to add another project.



3. The diagram below shows selected projects to be displayed in the "Project Comparison Report"



**Project Comparison Report**

<b>Project Comparison Report (Before Tax)</b>				
Net Cash Flow( Before Tax)				
		<u>Supplier A Analysis</u>	<u>Supplier B Analysis</u>	
Year	0	(530,000)	(400,000)	
	1	(38,000)	(57,600)	
	2	(39,490)	(58,135)	
	3	(41,039)	(58,693)	
	4	(42,648)	(59,539)	
	5	(44,322)	(60,426)	
	6	(46,061)	(79,355)	
	7	(2,868)	(65,472)	
	Total	(784,427)	(839,220)	
Financial Return Before Tax				
Internal Rate of Return (IRR)		N/A	N/A	
MIRR		N/A	N/A	
Short term financing rate				
Short term reinvestment rate				
Net Present Value (NPV)	→	(\$ 687,299) at 15.00%	→	(\$ 655,642) at 15.00%
Annual Equivalency	→	(\$ 165,199) at 15.00%	→	(\$ 157,590) at 15.00%
Benefit to Cost Ratio		N/A	N/A	
Payback Period (Years)		N/A	N/A	
Discounted Pay Back Period (Years)		N/A	N/A	
Note				
Unable to calculate the IRR and MIRR because all the Cash Flows are negative.				

**Interpretation and Decision**

Financial Results

Option	Net Present Value (NPV) at 15.00%	Annual Equivalency at 15.00%
<b>Supplier A</b>	(\$687,299)	(\$165,199)
<b>Supplier B</b>	(\$655,642)	(\$157,590)

The company should choose the option that provides the lowest Net Present Value (NPV), which is Supplier B

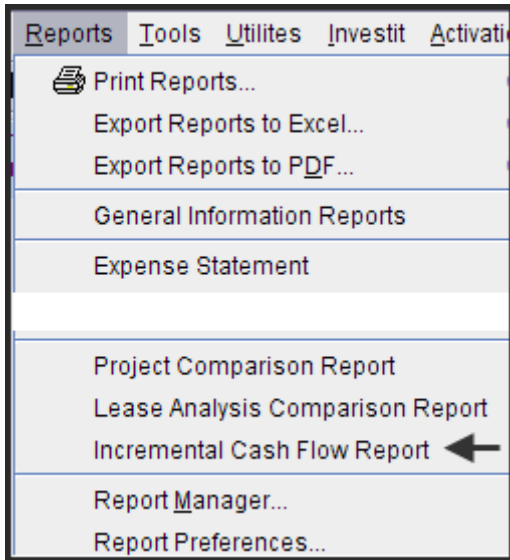


## Incremental Cash Flow Report

Can be used to show the differences in the cash flow for "Supplier A" versus "Supplier B"

Steps

Select the Incremental Cash Flow on the Report menu



Enter;

Investor's Marginal Tax Rate  
Discount Rate  
Short Term Rates

On the "Incremental Cash Flow Report" dialog click on the "Add" button to display the Report Selection List. Select the Project and click 'Ok'. Repeat the process to add another project.

The screenshot shows the 'Incremental Cash Flow Report' dialog box. At the top, it has a title bar with a close button. Below the title bar, there are two sections for rates: 'Investor's Rates. Applied to all selected projects' and 'Short Term Rates (Before Tax)'. The 'Investor' section includes 'Investor Marginal Tax Rate' (35.00%) and 'Discount Rate (Before Tax)' (15.00%). The 'Short Term Rates' section includes 'Financing Rate' (8.00%) and 'Reinvestment Rate' (2.50%). Below these is the 'Selected Projects' section, which contains a table with columns for 'Project Name', 'Add Cash Flow', and 'Subtract Cash Flow'. To the right of the table are buttons for 'Add...', 'Remove', and 'Remove all'. Below the table are 'Move Up' and 'Preview Report' buttons. A 'Project Selection List' dialog box is open over the main dialog, showing a list of projects: 'Keep Example with Revenue & Expenses', 'Projection Wizard Monthly Practice Set', 'Projection Wizard Yearly Practice Set', 'Replace Example Revenue & Expenses', 'Supplier A Analysis', and 'Supplier B Analysis'. An arrow points to 'Supplier A Analysis'. Below the list is an 'OK' button. Text instructions are overlaid on the screenshot: '1) Click on the "Add" button to display the project list' and '2) Select the project & click on the "OK" button'.

**Investor's Rates. Applied to all selected projects**

**Investor**

Investor Marginal Tax Rate → 35.00%

Discount Rate (Before Tax) 15.00%

**Short Term Rates (Before Tax)**

Financing Rate → 8.00%

Reinvestment Rate → 2.50%

**Selected Projects**

The Incremental Cash Flow Report is created by 'Adding' or 'Subtracting' the cash flows for the selected Projects.

**1) Click on the "Add" button to display the project list**

Project Name	Add Cash Flow	Subtract Cash Flow
--------------	---------------	--------------------

Buttons: Add..., Remove, Remove all, Move Up, Preview Report, Print Report

**Project Selection List**

Select project

- Keep Example with Revenue & Expenses
- Projection Wizard Monthly Practice Set
- Projection Wizard Yearly Practice Set
- Replace Example Revenue & Expenses
- Supplier A Analysis ←
- Supplier B Analysis

**2) Select the project & click on the "OK" button**

The selected projects for the Incremental Cash Flow Report are;

### Incremental Cash Flow Report X

**Investor's Rates. Applied to all selected projects**

<b>Investor</b>		<b>Short Term Rates (Before Tax)</b>	
Investor Marginal Tax Rate	➔	35.00%	Financing Rate
Discount Rate (Before Tax)	➔	15.00%	Reinvestment Rate
			➔
			8.00%
			➔
			2.50%

**Selected Projects**

The Incremental Cash Flow Report is created by 'Adding' or 'Subtracting' the cash flows for the selected Projects.

Project Name	Add Cash Flow	Subtract Cash Flow	
Supplier B Analysis.nnp	<input checked="" type="radio"/>	<input type="radio"/>	Add...
Supplier A Analysis.nnp	<input type="radio"/>	<input checked="" type="radio"/>	Remove
			Remove all

The cash flow for "Supplier A" will be subtracted from the cash flow for "Supplier B"

Move Up
Move Down

Preview Report
Print Report
Export to Excel
Export to PDF
Done

Click on the "Preview Report" button to display the "Incremental Cash Flow Report"

<b>Incremental Cash Flow Report (Before Tax)</b>				
Net Cash Flow( Before Tax)				
		Plus Supplier B Analysis	Minus Supplier A Analysis	Incremental Net Cash Flow (Before Tax)
Year	0	(400,000)	(530,000)	130,000
	1	(57,600)	(38,000)	(19,600)
	2	(58,135)	(39,490)	(18,645)
	3	(58,693)	(41,039)	(17,655)
	4	(59,539)	(42,648)	(16,891)
	5	(60,426)	(44,322)	(16,104)
	6	(79,355)	(46,061)	(33,294)
	7	(65,472)	(2,868)	(62,603)
	<b>Total</b>	<b>(839,220)</b>	<b>(784,427)</b>	<b>(54,792)</b>
Before Tax Financial Return				
Internal Rate of Return (IRR)		N/A	N/A	➔ 7.82%
Net Present Value (NPV) at 15.00%		➔ (\$ 655,642)	➔ (\$ 687,299)	➔ \$ 31,657
Modified Internal Rate of Return (MIRR)		N/A	N/A	2.61%
Short term financing rate		8.00%	8.00%	8.00%
Short term reinvestment rate		2.50%	2.50%	2.50%
Annual Equivalency at 15.00%		(\$ 157,590)	(\$ 165,199)	\$ 7,609
Benefit to Cost Ratio at 15.00%		N/A	N/A	N/A
Payback Period		N/A	N/A	N/A
Discounted Pay Back Period at 15.00%		N/A	N/A	N/A
Note				
Unable to calculate the IRR and MIRR because all the Cash Flows are negative.				

### Interpretation and conclusion

Purchasing from Supplier B will save \$31,657 when discounted at 15.00% and provide an Internal Rate of Return (IRR) of 7.82% before tax