

Capital investment analysis

1. Non-discounted methods

1.1 Accounting Rate of Return

	Result	Decision
ARR, %	26	project accepted

1.2 Payback Period

	Cash flow	Cumulative cash flow
Investment	-1,500	-1,500
1 year	590	-910
2 year	400	-510
3 year	-150	-660
4 year	680	20
5 year	430	450

	Result	Decision
PP, years	3.97	project accepted

2. Discounted methods

2.1 Discounted Payback Period

	Cash flow	Discounted cash flow	Cumulative discounted cash flow
Investment	-1,500	-1,500	-1,500
1 year	590	546	-953
2 year	400	343	-610
3 year	-150	-119	-729
4 year	680	500	-229
5 year	430	293	63

	Result	Decision
DPP, years	4.78	project accepted

2.2 Net Present Value

	Cash flow	Discount factor	Present value (PV)
Investment	-1,500	1.00	-1,500
1 year	590	0.93	546
2 year	400	0.86	343
3 year	-150	0.79	-119
4 year	680	0.74	500
5 year	430	0.68	293
NPV			63

	Result	Decision
NPV, currency	63	project accepted

2.3 Profitability Index

	Result	Decision
PI	1.04	project accepted

2.4 Internal Rate of Return

	Result	Decision
IRR, %	10	project accepted

2.5 Duration

	Cash flow	Present value (PV)	PV * i
Investment	590	546	546
1 year	400	343	686
2 year	-150	-119	-357
3 year	680	500	1,999
4 year	430	293	1,463
Total		1,563	4,337

	Result	Decision
D, years	2.78	weighted average term of the project life cycle

3. Summary analysis

	Result	Decision
ARR, %	26	project accepted
PP, years	3.97	project accepted
DPP, years	4.78	project accepted
NPV, currency	63	project accepted
PI	1.04	project accepted
IRR, %	10	project accepted
D, years	2.78	weighted average term of the project life cycle