

Financial Analysis with Microsoft Excel



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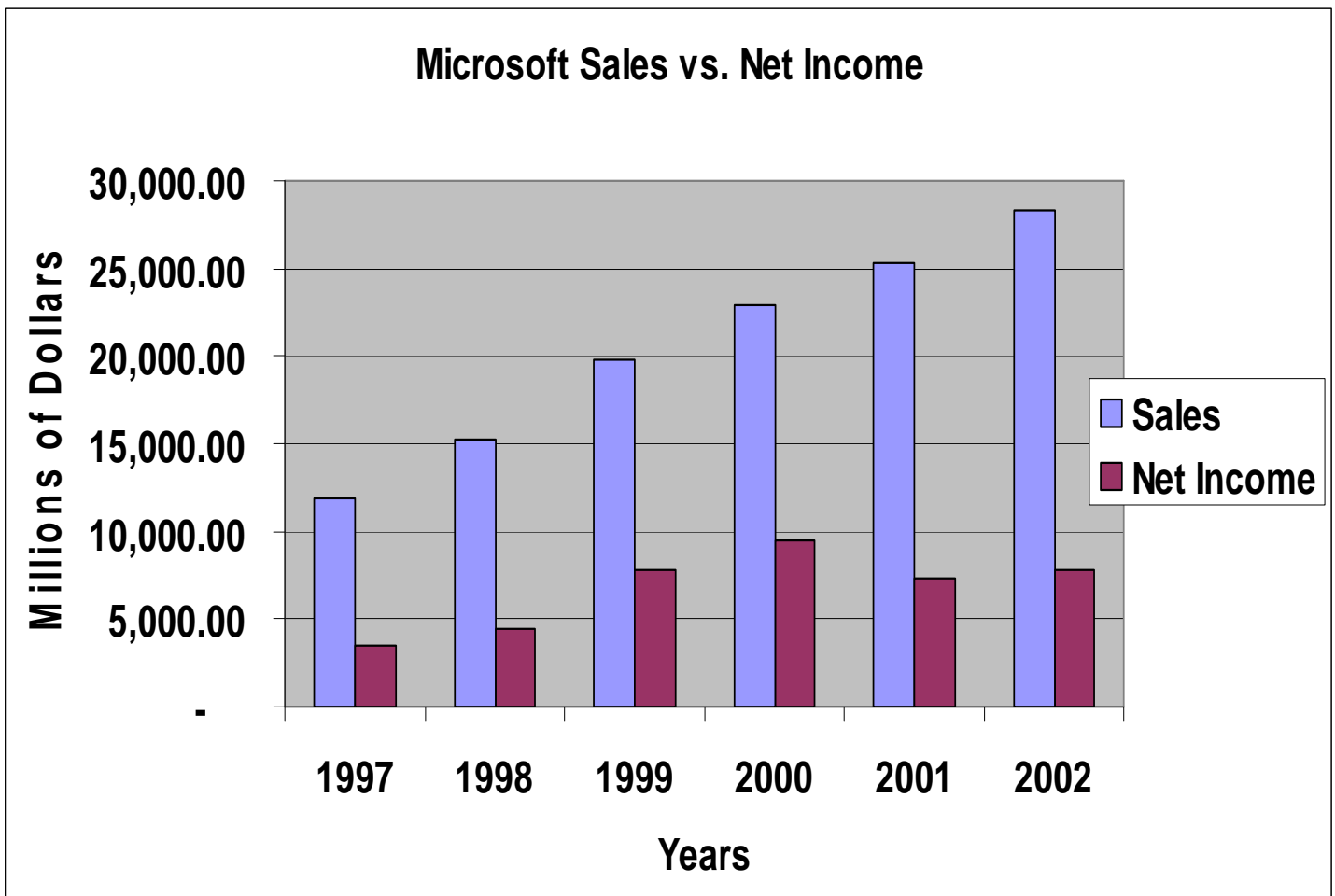
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Chapter 1: Spreadsheet Basics

Analysis of Microsoft's Growth

Microsoft Corporation Profitability Analysis
(Millions of Dollars)
1997 to 2002

	1997	1998	1999	2000	2001	2002
Sales	11,936	15,262	19,747	22,956	25,296	28,365
Net Income	3,454	4,490	7,785	9,421	7,346	7,829
Net Profit Margin	28.94%	29.42%	39.42%	41.04%	29.04%	27.60%
Sales Growth	18.90%					
Net Income Growth	17.78%					



Chapter 2: Basic Financial Statements

Income Statement

Elvis Products International				
Income Statement				
For the Year Ended Dec. 31, 2004 (\$000's)				
	2004%	2004	2003%	2003
Sales	100.00%	3,850.00	100.00%	3,432.00
Cost of Goods Sold	84.42%	3,250.00	83.45%	2,864.00
Gross Profit	15.58%	600.00	16.55%	568.00
Selling and G&A Expenses	8.58%	330.30	6.99%	240.00
Fixed Expenses	2.60%	100.00	2.91%	100.00
Depreciation Expense	0.52%	20.00	0.55%	18.90
EBIT	3.89%	149.70	6.09%	209.10
Interest Expense	1.97%	76.00	1.82%	62.50
Earnings Before Taxes	1.91%	73.70	4.27%	146.60
Taxes	0.77%	29.48	1.71%	58.64
Net Income	1.15%	44.22	2.56%	87.96

Notes:

Tax Rate

40%

Balance Sheet

Elvis Products International
Balance Sheet
As of Dec. 31, 2004 (000's)

Assets	2004%	2004	2003%	2003
Cash & Equivalents	3.15%	52,000	3.92%	57,600
Accounts Receivable	24.35%	402,000	23.91%	351,200
Inventory	50.64%	836,000	48.69%	715,200
<i>Total Current Assets</i>	78.14%	1,290,000	76.53%	1,124,000
Plant & Equipment	31.92%	527,000	33.43%	491,000
Accumulated Depreciation	10.07%	166,200	9.95%	146,200
<i>Net Fixed Assets</i>	21.86%	360,800	23.47%	344,800
Total Assets	100.00%	1,650,800	100.00%	1,468,800
Liabilities and Owner's Equity				
Accounts Payable	10.61%	175,200	9.91%	145,600
Short-term Notes Payable	13.63%	225,000	13.62%	200,000
Other Current Liabilities	8.48%	140,000	9.26%	136,000
<i>Total Current Liabilities</i>	32.72%	540,200	32.79%	481,600
Long-term Debt	25.72%	424,612	22.02%	323,432
<i>Total Liabilities</i>	58.45%	964,812	54.81%	805,032
Common Stock	27.87%	460,000	31.32%	460,000
Retained Earnings	13.69%	225,988	13.87%	203,768
<i>Total Shareholder's Equity</i>	41.55%	685,988	45.19%	663,768
Total Liabilities and Owner's Equity	100.00%	1,650,800	100.00%	1,468,800

Statement of Cash Flows

Elvis Products International
Statement of Cash Flows
For the Year Ended Dec. 31, 2004 (\$000's)

Cash Flow from Operations		
Net Income	44.22	
Depreciation Expense	20.00	
Change in Accounts Receivable	(50.80)	
Change in Inventories	(120.80)	
Change in Accounts Payable	29.60	
Change in Current Liabilities	4.00	
Total Cash Flows from Operations		(73.78)
Cash Flows from Investing		
Change in Plant & Equipment	(36.00)	
Total Cash Flows from Investing		(36.00)
Cash Flows from Financing		
Change in Short-term Notes Payable	25.00	
Change in Long-term Debt	101.18	
Cash Dividends Paid to Shareholders	(22.00)	
Total Cash Flows from Financing		104.18
Net Change in Cash Balance		(5.60)

Chapter 3: The Cash Budget

The Cash Budget

Bithlo Barbecues								
Cash Budget								
For the Period June to September 2005								
		April	May	June	July	August	September	October
Sales		291,000	365,000	387,000	329,000	238,000	145,000	92,000
<i>Collections:</i>								
Cash	40%			154,800	131,600	95,200	58,000	
First Month	45%			164,250	174,150	148,050	107,100	
Second Month	15%			43,650	54,750	58,050	49,350	
Total Collections				362,700	360,500	301,300	214,450	
Purchases	50%	182,500	193,500	164,500	119,000	72,500	46,000	
<i>Payments:</i>								
First Month	60%			116,100	98,700	71,400	43,500	
Second Month	40%			73,000	77,400	65,800	47,600	
Total Payments				189,100	176,100	137,200	91,100	
Collections				362,700	360,500	301,300	214,450	
<i>Less Disbursements:</i>								
Inventory Payments				189,100	176,100	137,200	91,100	
Wages	20%			77,400	65,800	47,600	29,000	
Lease Payments				10,000	10,000	10,000	10,000	
Interest				30,000	-	-	30,000	
Short-Term Interest Expense (Inc.)				-	92	702	(3)	
Dividend (Common)				50,000	-	-	-	
Taxes				25,000	-	-	25,000	
Capital Outlays				-	200,000	-	-	
Total Disbursements				381,500	451,992	195,502	185,097	
Beginning Cash Balance				20,000	15,000	15,000	120,798	
Collections - Disbursements				(18,800)	(91,492)	105,798	29,353	
Unadjusted Cash Balance			20,000	1,200	(76,492)	120,798	150,151	
Current Borrowing				-	13,800	(91,492)	-	-
Current Investing				-	-	506	135,151	

Ending Cash Balance		20,000	15,000	15,000	15,000	15,000
Cumulative Borrowing		-	13,800	105,292	(506)	(135,657)
Cumulative Interest Expense (Inc.)			-	92	794	791
Notes:						
Minimum Acceptable Cash	15,000					
Maximum Acceptable Cash	15,000					
Borrowing Rate (Annual)	8%	Monthly	0.67%			
Lending Rate (Annual)	6%	Monthly	0.50%			

Chapter 4: Financial Statement Analysis

Elvis Products International with Automatic Analysis

Ratio	Industry 2004	2004	2003	2003
Liquidity Ratios				
Current	2.70	2.39	2.33	Ok
Quick Ratio	1.00	0.84	0.85	Bad
Efficiency Ratios				
Inventory Turnover	7.00	3.89	1.71	Bad
Accounts Receivable Turnover	10.70	9.58	4.18	Bad
Average Collection Period (Days)	33.64	37.59	86.08	Bad
Fixed Asset Turnover	11.2	10.67	4.26	Ok
Total Asset Turnover	2.60	2.33	1.00	Bad
Leverage Ratios				
Total Debt Ratio	50.00%	58.45%	54.81%	Bad
Long-term Debt Ratio	20.00%	25.72%	22.02%	Bad
Long-term Debt to Total Capitalization	28.57%	38.23%	32.76%	Bad
Debt to Equity	1.00	1.41	1.21	Bad
Long-term Debt to Equity	40.00%	61.90%	48.73%	Bad
Coverage Ratios				
Times Interest Earned	2.50	1.97	3.35	Bad
Cash Coverage Ratio	2.80	2.23	3.65	Bad
Profitability Ratios				
Gross Profit Margin	17.50%	15.58%	16.55%	Bad
Operating Profit Margin	6.25%	3.89%	6.09%	Bad
Net Profit Margin	3.50%	1.15%	2.56%	Bad
Return on Total Assets	9.10%	2.68%	2.56%	Bad
Return on Equity	18.20%	6.45%	5.67%	Bad
Return on Common Equity	18.20%	6.45%	5.67%	Bad
Du Pont ROE		6.45%	5.67%	
Market Value of Equity		884,000		
Z-Score		3.92	1.92	

Elvis Products International Economic Profit Calculations

Elvis Products International Economic Profit Calculations		
	2004	2003
Tax Rate	40%	40%
NOPAT	\$ 89,820	\$ 125,460
Total Operating Capital	\$ 1,335,600	\$ 1,187,200
After-tax Cost of Capital	13%	13%
Dollar Cost of Capital	\$ 173,628	\$ 154,336
Economic Profit	\$ (83,808)	\$ (28,876)

Chapter 5: Financial Forecasting

Percent Sales Forecast for 2005

Elvis Products International
Pro-forma Income Statement
For the Year Ended Dec. 31, 2004 (\$000's)

	2005%	2005	2004%	2004	2003%	2003
Sales	100.00%	4,300.00	100.00%	3,850.00	100.00%	3,432.00
Cost of Goods Sold	83.93%	3,609.11	84.42%	3,250.00	83.45%	2,864.00
Gross Profit	16.07%	690.89	15.58%	600.00	16.55%	568.00
Selling and G&A Expenses	7.79%	334.80	8.58%	330.30	6.99%	240.00
Fixed Expenses	2.76%	100.00	2.60%	100.00	2.91%	100.00
Depreciation Expense	0.54%	20.00	0.52%	20.00	0.55%	18.90
EBIT	4.99%	236.09	3.89%	149.70	6.09%	209.10
Interest Expense	1.90%	76.00	1.97%	76.00	1.82%	62.50
Earnings Before Taxes	3.09%	160.09	1.91%	73.70	4.27%	146.60
Taxes	1.24%	64.04	0.77%	29.48	1.71%	58.64
Net Income	1.86%	96.05	1.15%	44.22	2.56%	87.96

Notes:

Tax Rate

40%

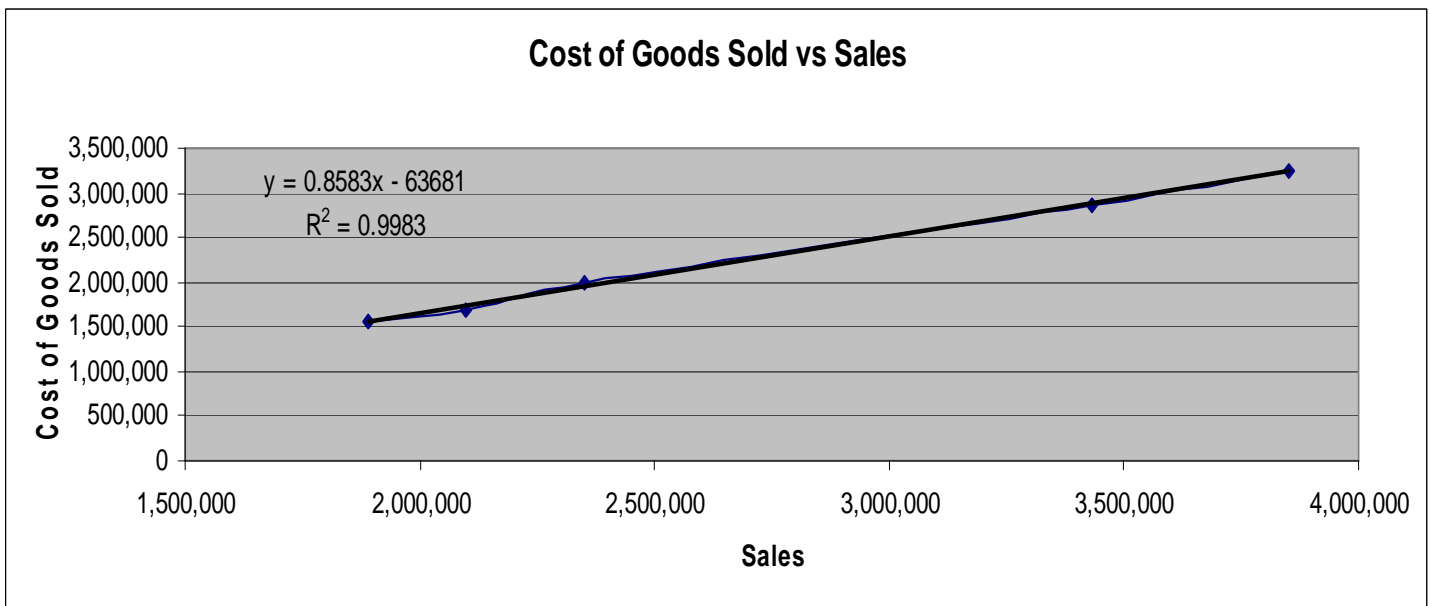
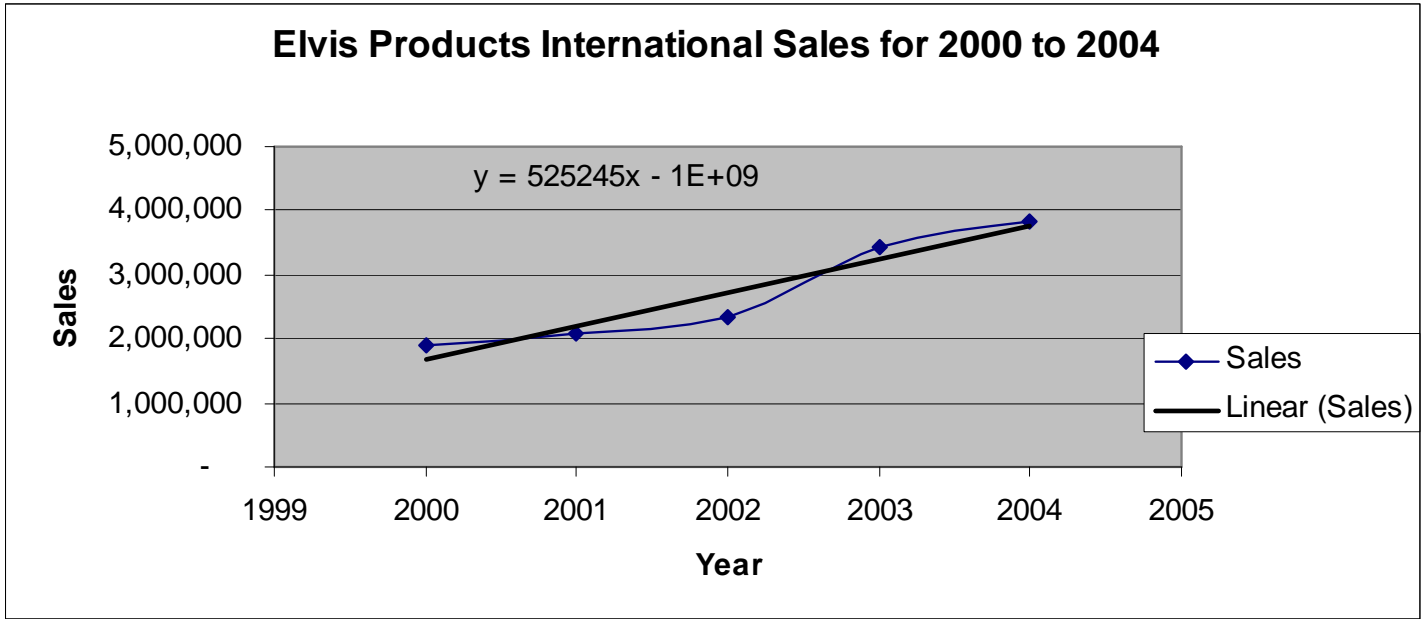
Pro-forma Balance Sheet for 2005

Elvis Products International
Pro-forma Balance Sheet
As of Dec. 31, 2004 (000's)

Assets	2005	2004%	2004	2003%	2003
Cash & Equivalents	52.00	3.15%	52.00	3.92%	57.60
Accounts Receivable	444.51	24.35%	402.00	23.91%	351.20
Inventory	914.90	50.64%	836.00	48.69%	715.20
<i>Total Current Assets</i>	<i>1,411.40</i>	<i>78.14%</i>	<i>1,290.00</i>	<i>76.53%</i>	<i>1,124.00</i>
Plant & Equipment	527.00	31.92%	527.00	33.43%	491.00
Accumulated Depreciation	186.20	10.07%	166.20	9.95%	146.20
<i>Net Fixed Assets</i>	<i>340.80</i>	<i>21.86%</i>	<i>360.80</i>	<i>23.47%</i>	<i>344.80</i>
Total Assets	1,752.20	100.00%	1,650.80	100.00%	1,468.80
Liabilities and Owner's Equity					
Accounts Payable	189.05	10.61%	175.20	9.91%	145.60
Short-term Notes Payable	225.00	13.63%	225.00	13.62%	200.00
Other Current Liabilities	163.38	8.48%	140.00	9.26%	136.00
<i>Total Current Liabilities</i>	<i>577.43</i>	<i>32.72%</i>	<i>540.20</i>	<i>32.79%</i>	<i>481.60</i>
Long-term Debt	424.61	25.72%	424.61	22.02%	323.43
<i>Total Liabilities</i>	<i>1,002.04</i>	<i>58.45%</i>	<i>964.81</i>	<i>54.81%</i>	<i>805.03</i>
Common Stock	460.00	27.87%	460.00	31.32%	460.00
Retained Earnings	300.04	13.69%	225.99	13.87%	203.77
<i>Total Shareholder's Equity</i>	<i>760.04</i>	<i>41.55%</i>	<i>685.99</i>	<i>45.19%</i>	<i>663.77</i>
Total Liabilities and Owner's Equity	1,762.08	100.00%	1,650.80	100.00%	1,468.80
Discretionary Financing Needed	(9.88)		SURPLUS		

(Note: 2005 is the forecasted figures)

Trend Forecast



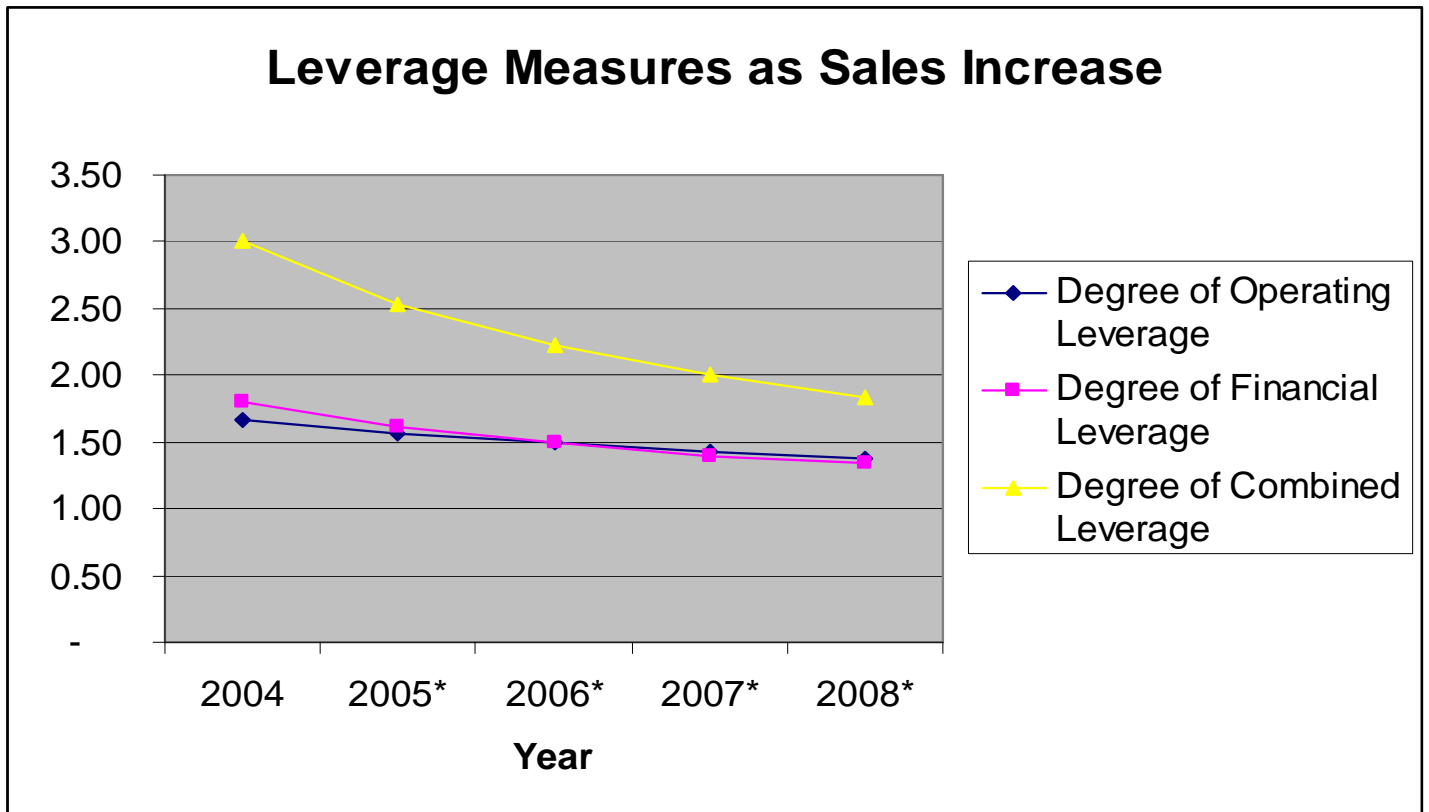
Chapter 6: Break-Even & Leverage Analysis

Spuds and Suds Break-Even & Leverage Worksheet

Spud and Suds Income Statement For the Year Ended Dec. 31, 2004					
	2004	2005*	2006*	2007*	2008*
Sales	\$2,500,000	\$2,750,000	\$3,025,000	\$3,327,500	\$3,660,250
Less: Variable Costs	\$1,500,000	\$1,650,000	\$1,815,000	\$1,996,500	\$2,196,150
Less: Fixed Costs	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
<i>Earnings Before Interest and Taxes</i>	<i>\$ 600,000</i>	<i>\$ 700,000</i>	<i>\$ 810,000</i>	<i>\$ 931,000</i>	<i>\$1,064,100</i>
Less: Interest Expense	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Earnings Before Taxes	\$ 500,000	\$ 600,000	\$ 710,000	\$ 831,000	\$ 964,100
Taxes	\$ 200,000	\$ 240,000	\$ 284,000	\$ 332,400	\$ 385,640
<i>Net Income</i>	<i>\$ 300,000</i>	<i>\$ 360,000</i>	<i>\$ 426,000</i>	<i>\$ 498,600</i>	<i>\$ 578,460</i>
Less: Preferred Dividends	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
<i>Net Income Available to Common</i>	<i>\$ 200,000</i>	<i>\$ 260,000</i>	<i>\$ 326,000</i>	<i>\$ 398,600</i>	<i>\$ 478,460</i>
Common Shares Outstanding	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
<i>Earnings Per Share</i>	<i>\$ 0.20</i>	<i>\$ 0.26</i>	<i>\$ 0.33</i>	<i>\$ 0.40</i>	<i>\$ 0.48</i>
Assumptions					
Price Per Unit	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00	\$ 16.00
Unit Sales	156,250	171,875	189,063	207,969	228,766
Variable Cost as a Percent of Sales	60%	60%	60%	60%	60%
Tax Rate	40%	40%	40%	40%	40%
Break-even Point (Units)	62,500	62,500	62,500	62,500	62,500
Break-even Point (Dollars)	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
% Change in Sales from Prior Year		10.00%	10.00%	10.00%	10.00%
% Change in EBIT from Prior Year		16.67%	15.71%	14.94%	14.30%
% Change in EPS from Prior Year		30.00%	25.38%	22.27%	20.04%
Degree of Operating Leverage	1.67	1.57	1.49	1.43	1.38
Degree of Financial Leverage	1.80	1.62	1.49	1.40	1.33
Degree of Combined Leverage	3.00	2.54	2.23	2.00	1.84

* *Pro-forma analysis*

Chart of Various Leverage Measures as Sales Increase



Chapter 7: The Time Value of Money

Present Value

Future Value Calculations		Present Value Calculations	
Present Value	1,000	Future Value	1,210
Years	2	Years	2
Rate	10%	Rate	10%
Future Value Calculations	1,210	Present Value Calculations	1,000

Annuities

Present Value of an Annuity	
Payment	100
Interest Rate	8.00%
Number of Payments	5
Present Value	(431.21)

Future Value of an Annuity	
Payment	3,000
Interest Rate	7.50%
Number of Payments	30
Future Value	310,198

Solving for an Annuity Payment	
Present Value	-
Future Value	10,000
Number of Payments	5
Interest Rate	4.00%
Annual Payment Amount	(1,846)

Solving for N in an Annuity	
Present Value	-
Future Value	10,000
Annual Payment	1,846
Annual Rate	4.00%
Number of Years	5 Years

Retirement Worksheet	
Annual Retirement Income Needed	25,000
Years until Retirement	30
Years in Retirement	35
Rate of Return before Retirement	8%
Rate of Return during Retirement	6%
Savings Required at Retirement	362,456
Investment Required Today	36,020
Annual Investment Required	3,200

Uneven Cash Flow Streams

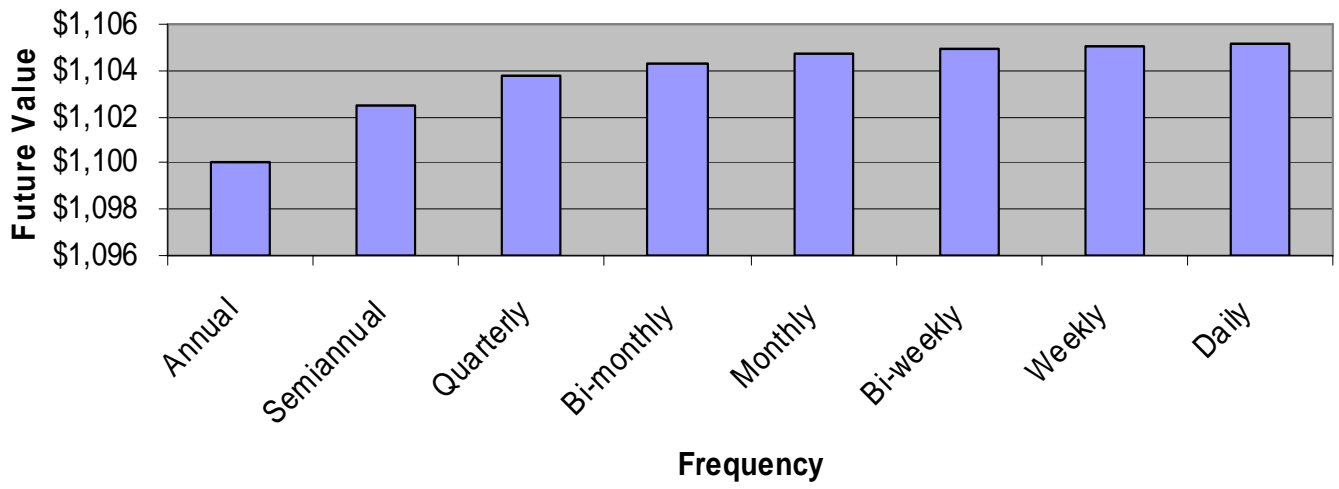
Uneven Cash Flow Streams	
Year	Cash Flow
1	1,000
2	2,000
3	3,000
4	4,000
5	5,000
Interest Rate	11.00%
Present Value	10,320
Future Value	17,390

Non-Annual Compounding Periods

Non-Annual Compounding Worksheet	
First National Bank	
Investment	1,000
Simple Rate	10.00%
Periods per Year	1
Term of Investment (Years)	1
Future Value	\$1,100
Second National Bank	
Investment	1,000
Simple Rate	10.00%
Periods per Year	2
Term of Investment (Years)	1
Future Value	\$1,103
Third National Bank	
Investment	1,000
Simple Rate	10.00%
Periods per Year	12
Term of Investment (Years)	1
Future Value	\$1,105

Non-Annual Compounding Periods		
Present Value		1,000
Annual Rate		10.00%
Frequency	Periods/Year	FV
Annual	1	\$1,100
Semiannual	2	\$1,103
Quarterly	4	\$1,104
Bi-monthly	6	\$1,104
Monthly	12	\$1,105
Bi-weekly	26	\$1,105
Weekly	52	\$1,105
Daily	365	\$1,105

FV as Compounding Frequency Increases

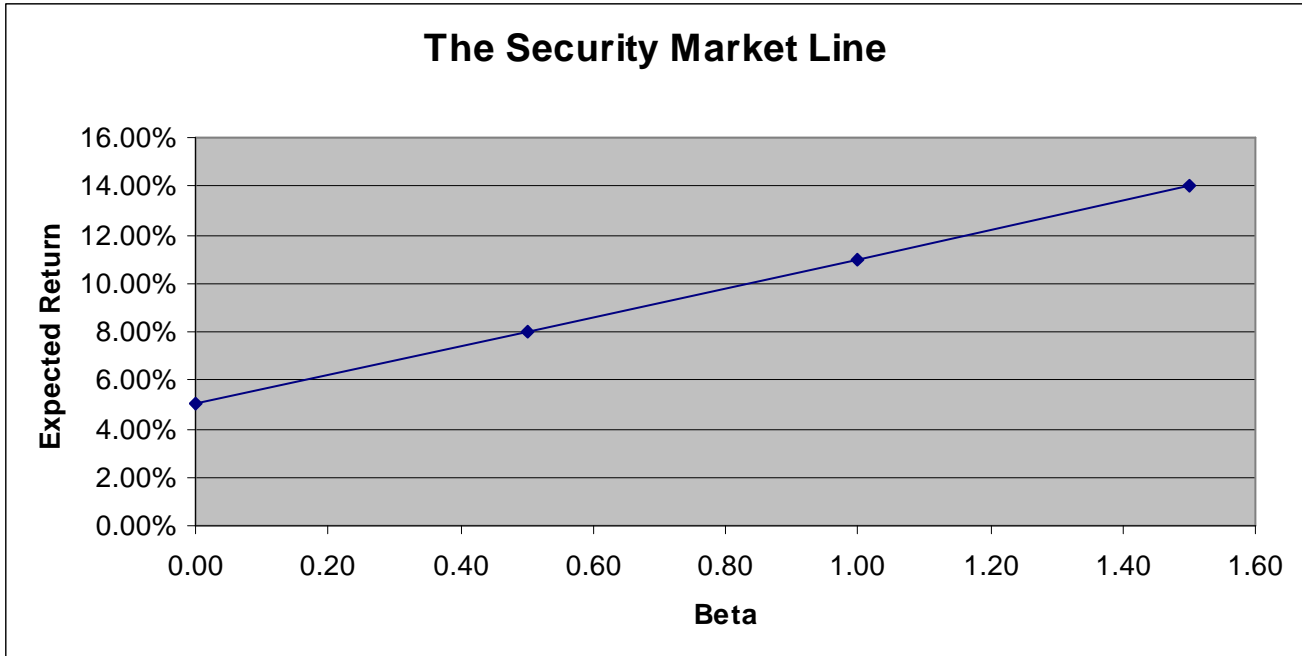


Chapter 8: Valuations and Rates of Return

Valuing Common Stocks

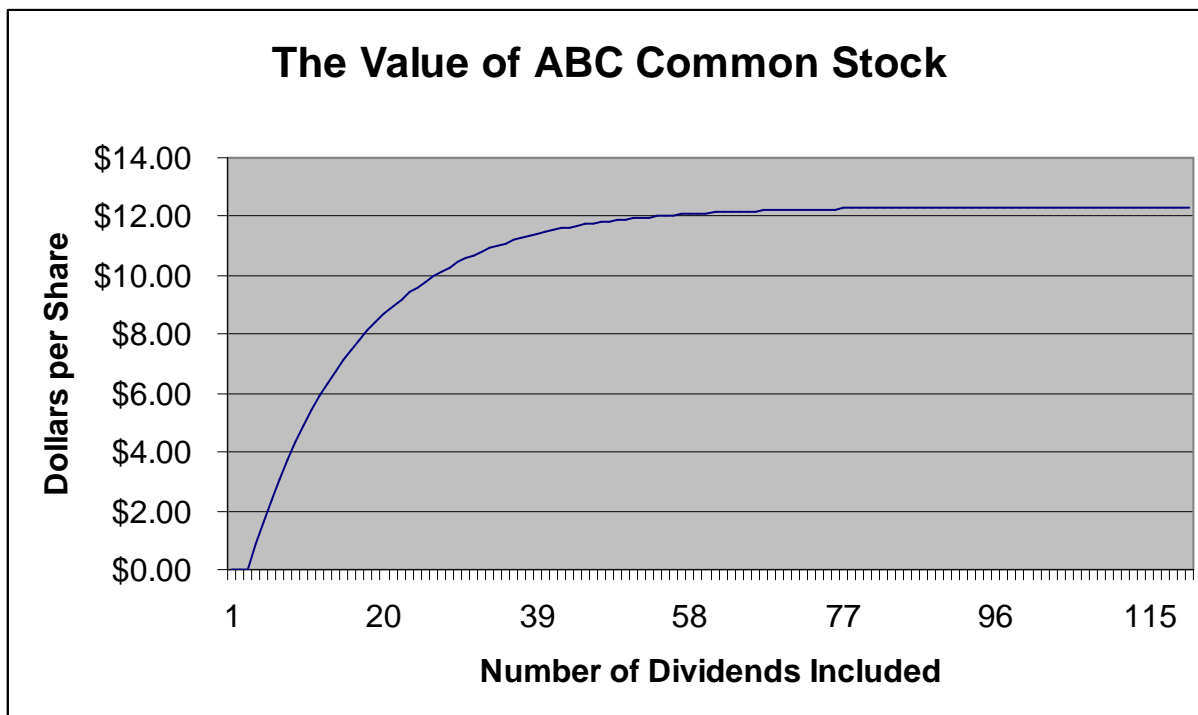
The Security Market Line

	Risk-free	X	Market	Y
Beta	0.00	0.50	1.00	1.50
Expected Return	5.00%	8.00%	11.00%	14.00%



Infinite Holding Period Assumption

Period	Dividends	Present Value	Growth Rate	7.00%
			Required Return	15.00%
1	0.00	\$0.00		
2	0.00	\$0.00		
3	0.00	\$0.00		
4	1.50	\$0.86		
5	1.61	\$1.66		
6	1.72	\$2.40		
7	1.84	\$3.09		
8	1.97	\$3.73		
9	2.10	\$4.33		
10	2.25	\$4.89		
11	2.41	\$5.40		
12	2.58	\$5.89		
13	2.76	\$6.33		



The Two-Stage Growth Model

Dividend 0	0.35
Growth Rate 1	15.00%
Growth Rate 2	8.00%
Period 1 Length	5
Required Return	12.00%
 Two-Stage Value of Stock	 \$12.68

The Three-Stage Growth Model

Dividend 0	0.35
Growth Rate 1	15.00%
Growth Rate 2	8.00%
Period 1 Length	5
Transition Period Length	3
Required Return	12.00%
 Two-Stage Value of Stock	 \$12.68
Three-Stage Value of Stock	\$13.43

Bond Valuation

Settlement Date	2/15/2004
Maturity Date	2/10/2024
Coupon Rate	8.00%
Required Return	9.00%
Redemption Value	100
Frequency	2
Basis	0
Value	\$ 907.99

Bond Return Measures

Bond Valuation	
Settlement Date	2/15/2004
Maturity Date	2/10/2024
First Call Date	2/15/2009
Coupon Rate	8.00%
Required Return	9.00%
Redemption Value	100
Call Price	105
Frequency	2
Basis	0
Value	\$ 907.99

Return Measures	
Current Yield	8.81%
Yield to Maturity	9.00%
Yield to Call	11.23%

Calculating the Bank Discount Rate

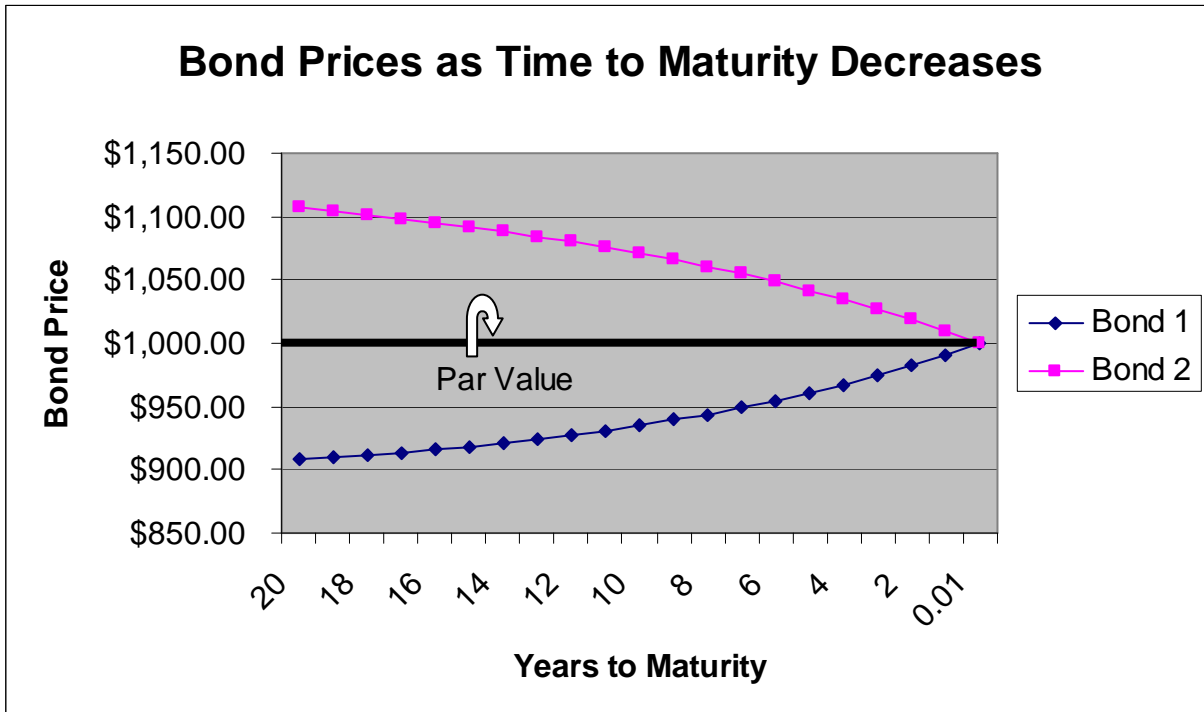
Discount Securities	
Settlement Date	2/15/2004
Maturity Date	8/15/2004
Redemption Value	100
Purchase Price	98.5
Days to Maturity	182

Bank Discount Rate	2.97%
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Bond Price Sensitivities

Sensitivity to Time to Maturity

Time to Maturity	Bond 1	Bond 2
20	\$ 907.99	\$ 1,106.72
19	\$ 909.75	\$ 1,104.16
18	\$ 911.67	\$ 1,101.41
17	\$ 913.77	\$ 1,098.45
16	\$ 916.06	\$ 1,095.29
15	\$ 918.57	\$ 1,091.92
14	\$ 921.30	\$ 1,088.29
13	\$ 924.28	\$ 1,084.41
12	\$ 927.54	\$ 1,080.24
11	\$ 931.09	\$ 1,075.80
10	\$ 934.98	\$ 1,071.03
9	\$ 939.22	\$ 1,065.91
8	\$ 943.85	\$ 1,060.43
7	\$ 948.91	\$ 1,054.58
6	\$ 954.43	\$ 1,048.29
5	\$ 960.46	\$ 1,041.56
4	\$ 967.03	\$ 1,034.35
3	\$ 974.23	\$ 1,026.64
2	\$ 982.08	\$ 1,018.37
1	\$ 990.66	\$ 1,009.50
0.01	\$ 999.89	\$ 1,000.06



Chapter 9: The Cost of Capital

WACC Calculations in Excel

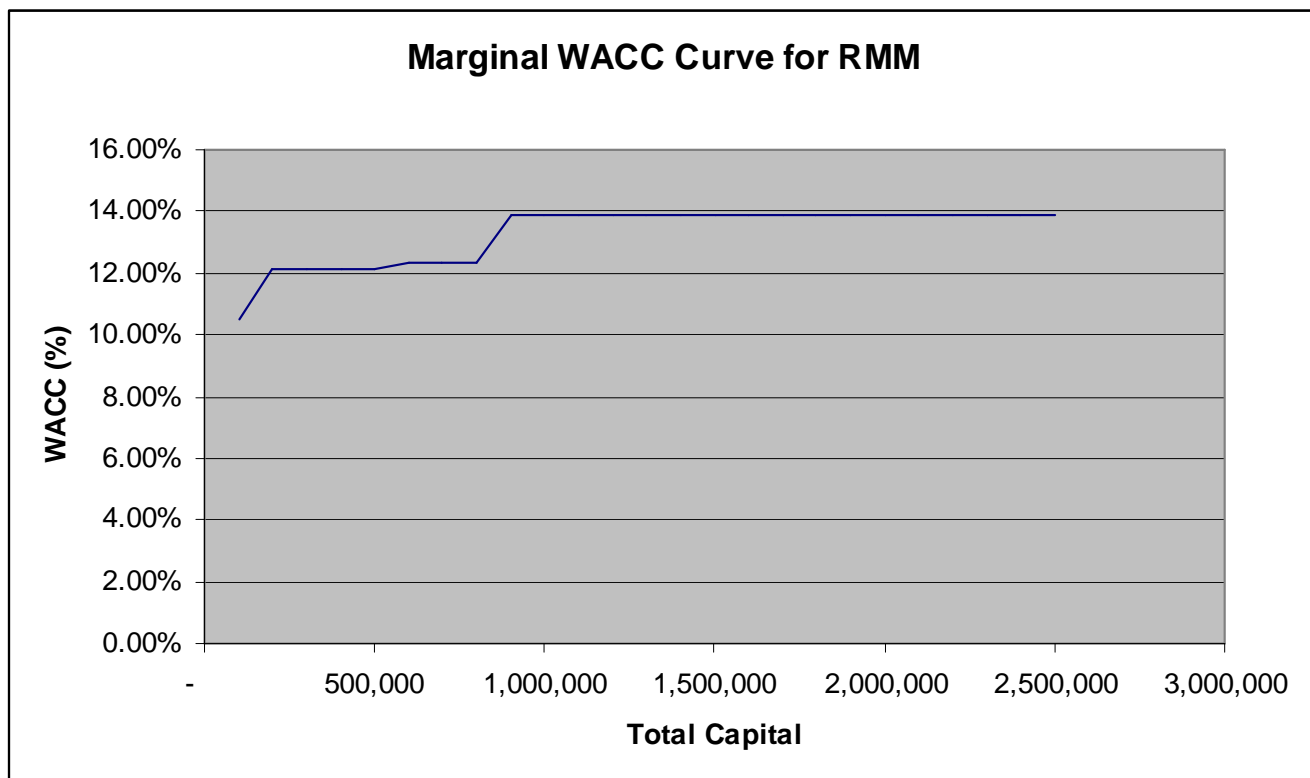
Source	Price Per Unit	Units	Total Market Value	Percentage of Total	After-tax Cost
Debt	\$ 904.53	400	\$ 361,812	31.14%	7.10%
Preferred	\$ 100.00	1,000	\$ 100,000	8.61%	10.20%
Common	\$ 70.00	10,000	\$ 700,000	60.25%	12.31%
Totals			\$ 1,161,812	100.00%	10.51%

Additional Bond Data		Additional Preferred Data		Additional Common Data	
Tax Rate	40%	Dividend	\$ 10.00	Dividend 0	\$ 3.96
Coupon Rate	10%	Flotation	2.00%	Growth Rate	6.00%
Face Value	\$1,000			Flotation	5.00%
Maturity	10				
Flotation	1%				

Source	% of Total	Max Level	After-tax Cost	Break-points
Common	60.25%	100,000	12.31%	\$ 165,975
		500,000	15.00%	\$ 829,876
		500,000	17.00%	
Preferred	8.61%	50,000	10.20%	\$ 580,720
		50,000	13.00%	
Debt	31.14%	250,000	7.10%	\$ 802,826
		250,000	8.00%	

Total Capital	Cost of Equity	Cost of Preferred	Cost of Debt	WACC
-	0.00%	0.00%	0.00%	0.00%
100,000	12.31%	10.20%	7.10%	10.51%
200,000	15.00%	10.20%	7.10%	12.13%
300,000	15.00%	10.20%	7.10%	12.13%
400,000	15.00%	10.20%	7.10%	12.13%
500,000	15.00%	10.20%	7.10%	12.13%
600,000	15.00%	13.00%	7.10%	12.37%
700,000	15.00%	13.00%	7.10%	12.37%
800,000	15.00%	13.00%	7.10%	12.37%
900,000	17.00%	13.00%	8.00%	13.85%
1,000,000	17.00%	13.00%	8.00%	13.85%
1,100,000	17.00%	13.00%	8.00%	13.85%
1,200,000	17.00%	13.00%	8.00%	13.85%
1,300,000	17.00%	13.00%	8.00%	13.85%
1,400,000	17.00%	13.00%	8.00%	13.85%
1,500,000	17.00%	13.00%	8.00%	13.85%
1,600,000	17.00%	13.00%	8.00%	13.85%
1,700,000	17.00%	13.00%	8.00%	13.85%
1,800,000	17.00%	13.00%	8.00%	13.85%

1,900,000	17.00%	13.00%	8.00%	13.85%
2,000,000	17.00%	13.00%	8.00%	13.85%
2,100,000	17.00%	13.00%	8.00%	13.85%
2,200,000	17.00%	13.00%	8.00%	13.85%
2,300,000	17.00%	13.00%	8.00%	13.85%
2,400,000	17.00%	13.00%	8.00%	13.85%
2,500,000	17.00%	13.00%	8.00%	13.85%



Chapter 10: Capital Budgeting

Estimating the Cash Flows

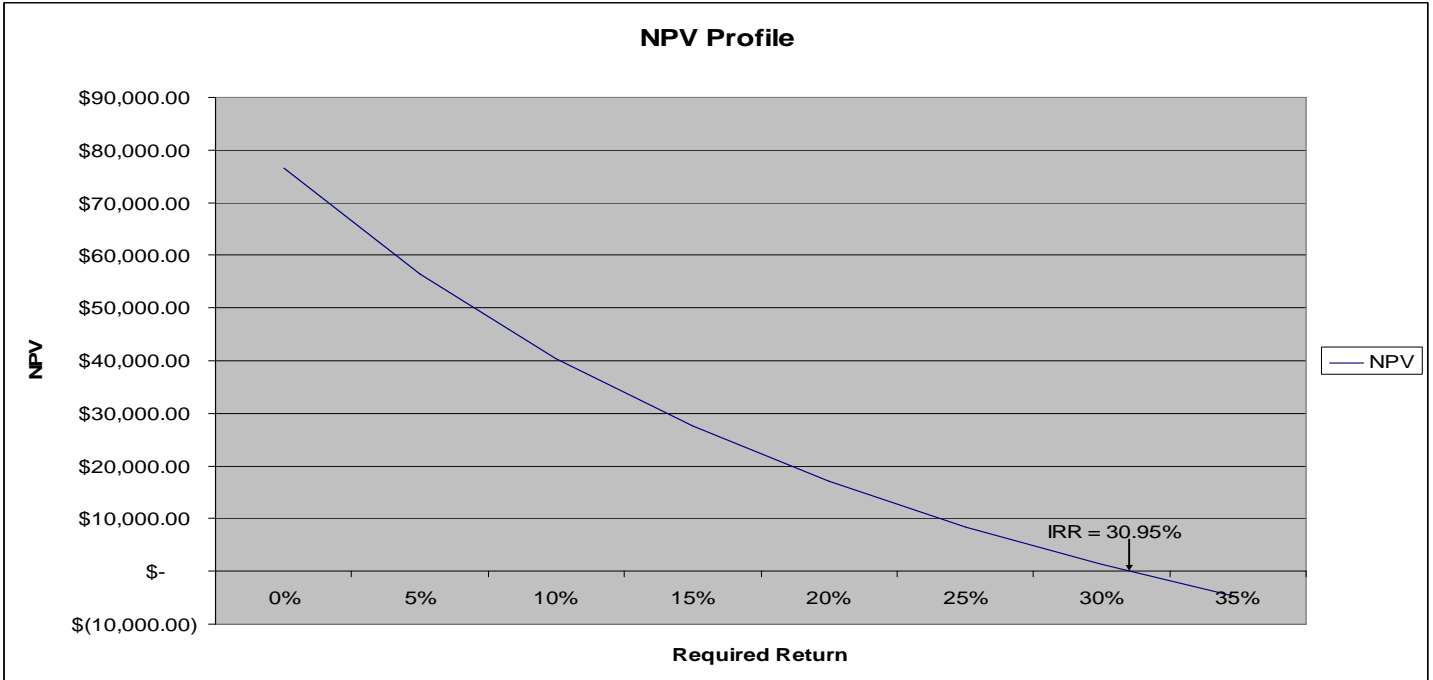
Supreme Shoe Company Replacement Analysis

	Old Machine	New Machine	Difference
Price	40,000	75,000	
Shipping and Installation	-	6,000	
Original Life	10	5	
Current Life	5	5	
Original Salvage Value	-	15,000	
Current Salvage Value	22,000	-	
Book Value	20,000	81,000	
Increase in Raw Materials	-	3,000	
Depreciation	4,000	13,200	(9,200)
Salaries	29,000		29,000
Maintenance	6,000	5,000	1,000
Defects	4,000	2,000	2,000
Marginal Tax Rate	34.00%		
Required Return	15.00%		

		Period	Cash Flows
Cash Flows			
Initial Outlay	(62,680)	0	(62,680)
Annual After-Tax Savings	21,120	1	24,248
Depreciation Tax Benefit	3,128	2	24,248
Total ATCF	24,248	3	24,248
Terminal Cash Flow	18,000	4	24,248
		5	42,248
Payback Period	2.58		
Discounted Payback Period	3.53		
Net Present Value	27,552		
Profitability Index	1.44		
Internal Rate of Return	30.95%		
Modified Internal Rate of Return	23.69%		

NPV Profile Data

Required Return	NPV
0%	\$ 76,560.00
5%	\$ 56,404.62
10%	\$ 40,415.58
15%	\$ 27,552.24
20%	\$ 17,070.16
25%	\$ 8,427.90
30%	\$ 1,225.62
35%	\$ (4,836.13)



Scenario Summary				
	Current Values:	Best Case	Expected Case	Worst Case
Changing Cells:				
Maintenance	5,000	2,000	5,000	8,000
Defects	2,000	1,000	2,000	5,000
Result Cells:				
Payback_Period	2.58	2.33	2.58	3.09
Discounted_Payback_Period	3.53	3.08	3.53	4.25
Net_Present_Value	27,552	36,402	27,552	14,278
Profitability_Index	1.44	1.58	1.44	1.23
Internal_Rate_of_Return	30.95%	35.85%	30.95%	23.41%
Modified_Internal_Rate_of_Return	23.69%	26.03%	23.69%	19.82%

Notes: Current Values column represents values of changing cells at time Scenario Summary Report was created. Changing cells for each scenario are highlighted in gray.

Chapter 11: Risk, Capital Budgeting, and Diversification

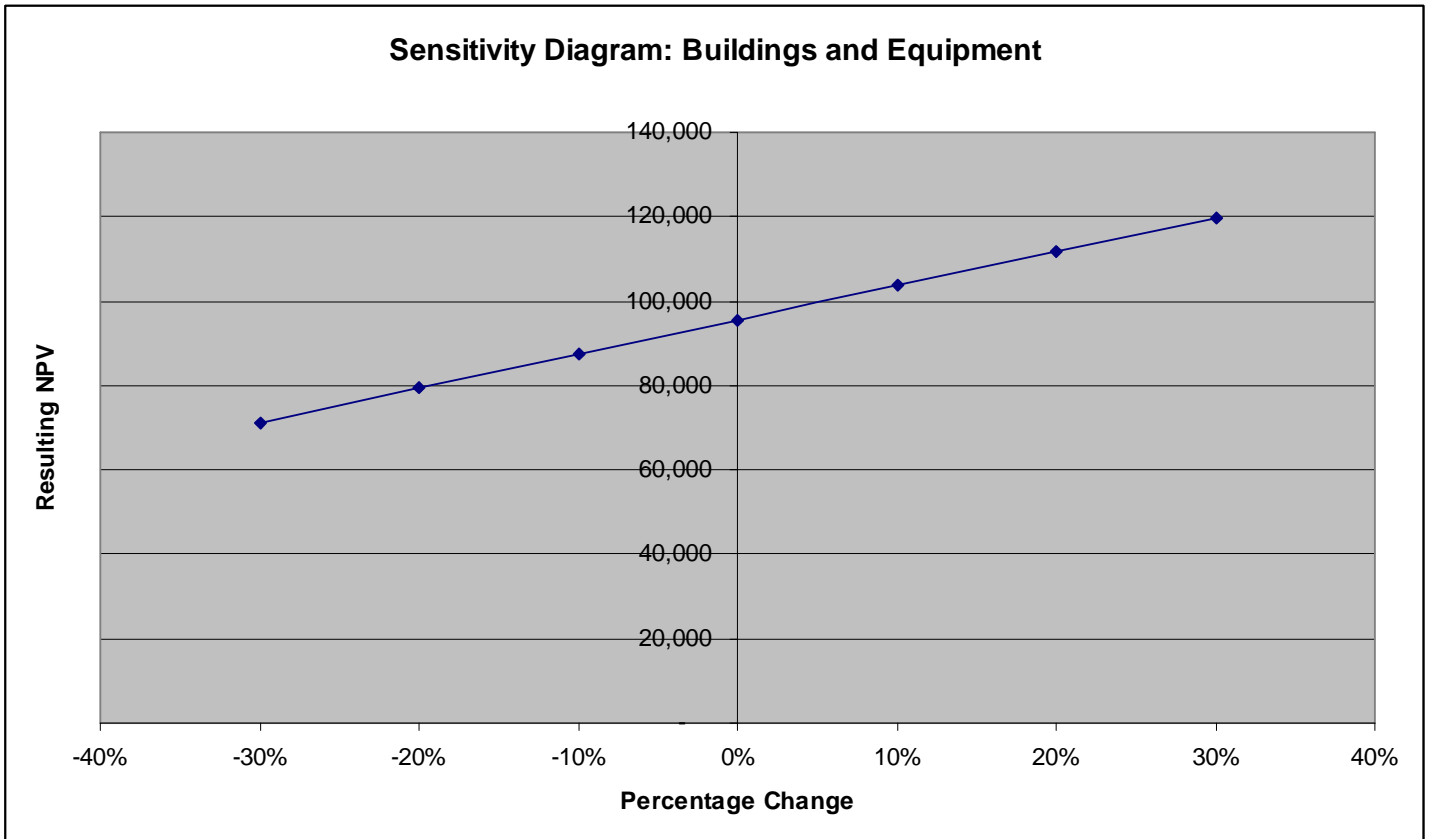
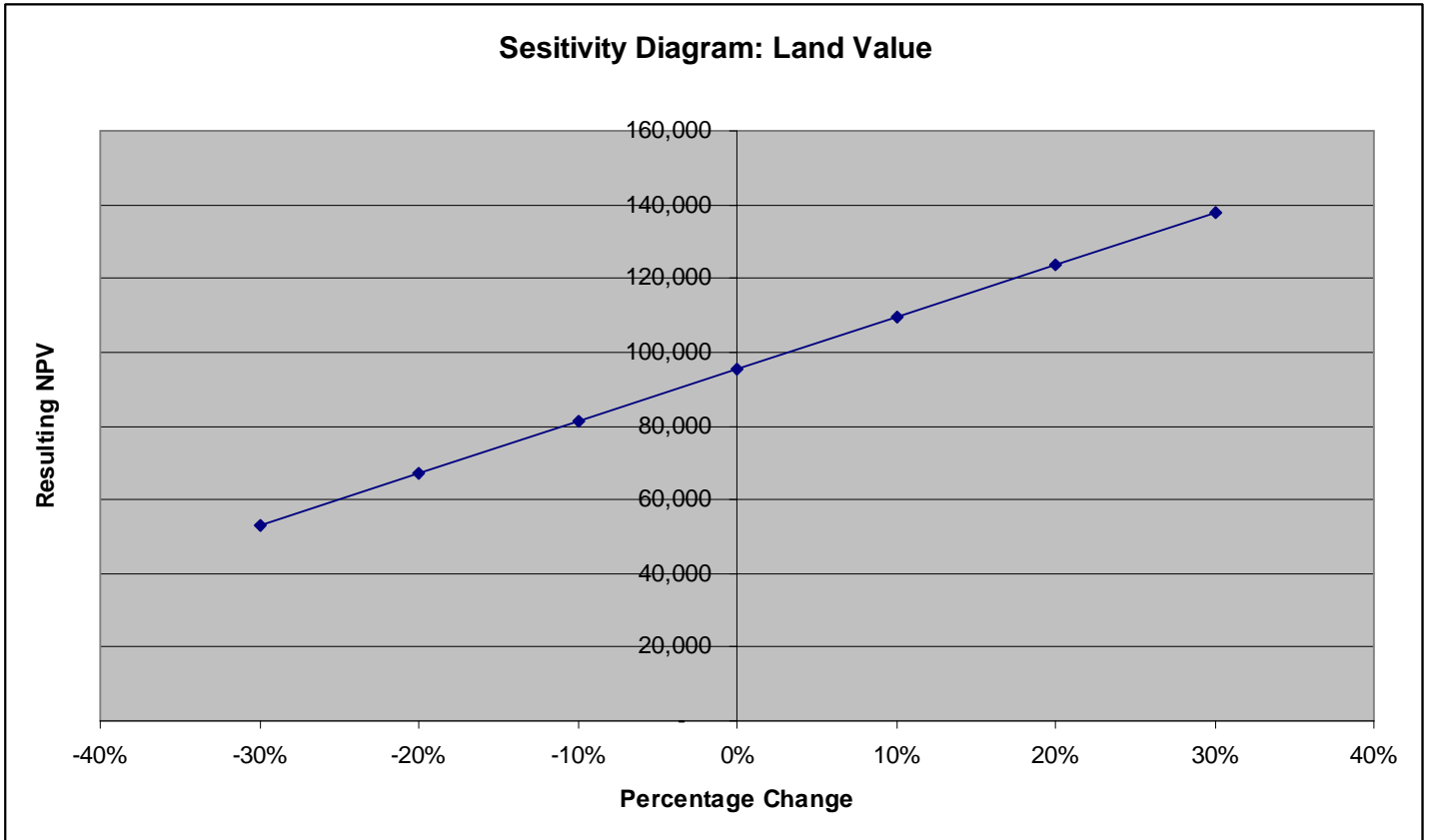
Calculation of the Annual After-Tax Cash Flows

Annual Cash Flows for Frozen Catfish Fillet Project						
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Initial Outlay	(650,000)					
Sales		500,000	540,000	583,200	629,856	680,244
Variable Costs		300,000	324,000	349,920	377,914	408,147
Fixed Costs		80,000	80,000	80,000	80,000	80,000
Taxable Cash Flows		120,000	136,000	153,280	171,942	192,098
Taxes		42,000	47,600	53,648	60,180	67,234
Depreciation Tax Benefit		14,000	14,000	14,000	14,000	14,000
Annual After-Tax Cash Flow		92,000	102,400	113,632	125,763	138,864
Terminal Cash Flow						515,000
Total Annual Cash Flows	(650,000)	92,000	102,400	113,632	125,763	653,864
Net Present Value	95,533					

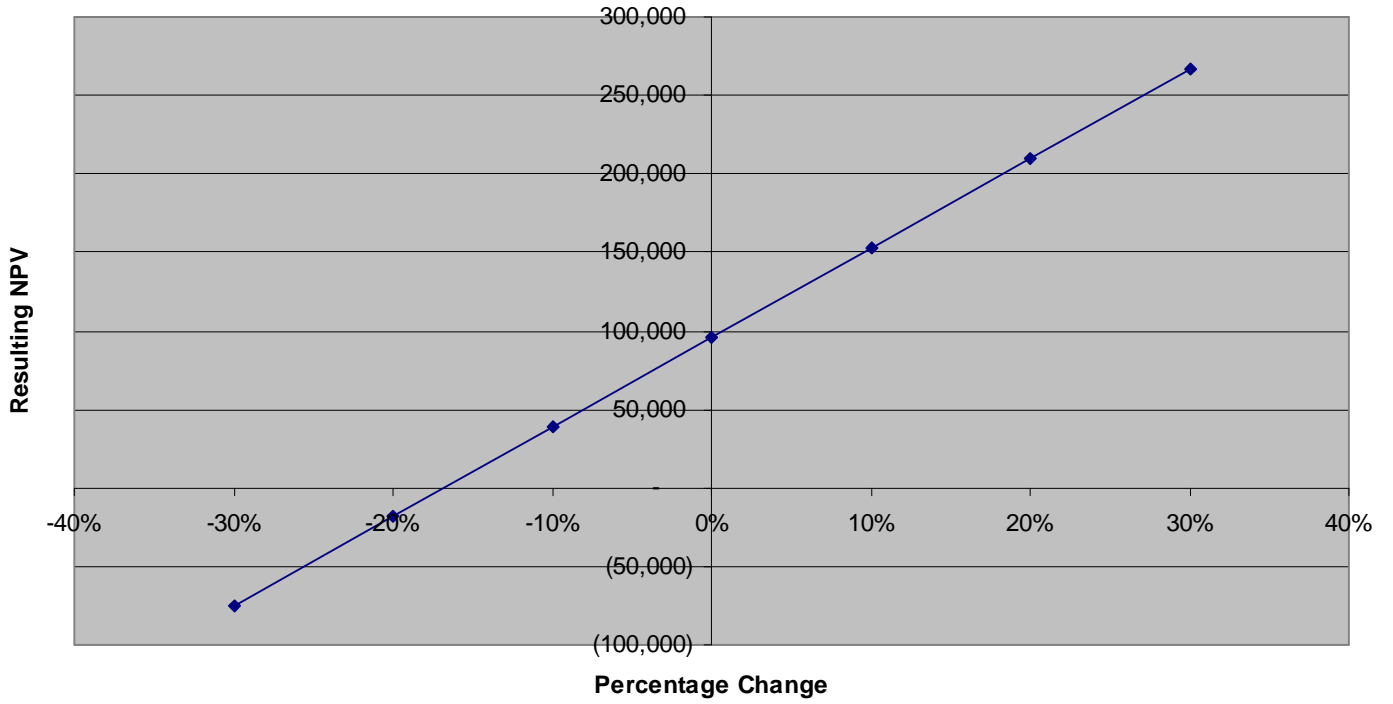
Sensitivity Tables

	-30%	-20%	-10%	0%	10%	20%	30%
Terminal Value of Land	-30%	-20%	-10%	0%	10%	20%	30%
95,533	53,155	67,281	81,407	95,533	109,659	123,785	137,911
Value of Buildings & Equipment	-30%	-20%	-10%	0%	10%	20%	30%
95,533	71,317	79,389	87,461	95,533	103,605	111,677	119,749
First Year Catfish Sales (lbs.)	-30%	-20%	-10%	0%	10%	20%	30%
95,533	(75,409)	(18,429)	38,552	95,533	152,514	209,495	266,476
Price Per Pound	-30%	-20%	-10%	0%	10%	20%	30%
95,533	(75,409)	(18,429)	38,552	95,533	152,514	209,495	266,476
Unit Sales Growth Rate	-30%	-20%	-10%	0%	10%	20%	30%
95,533	71,214	79,201	87,307	95,533	103,881	112,352	120,947
Variable Costs as % of Sales	-30%	-20%	-10%	0%	10%	20%	30%
95,533	351,947	266,476	181,005	95,533	10,062	(75,409)	(160,881)

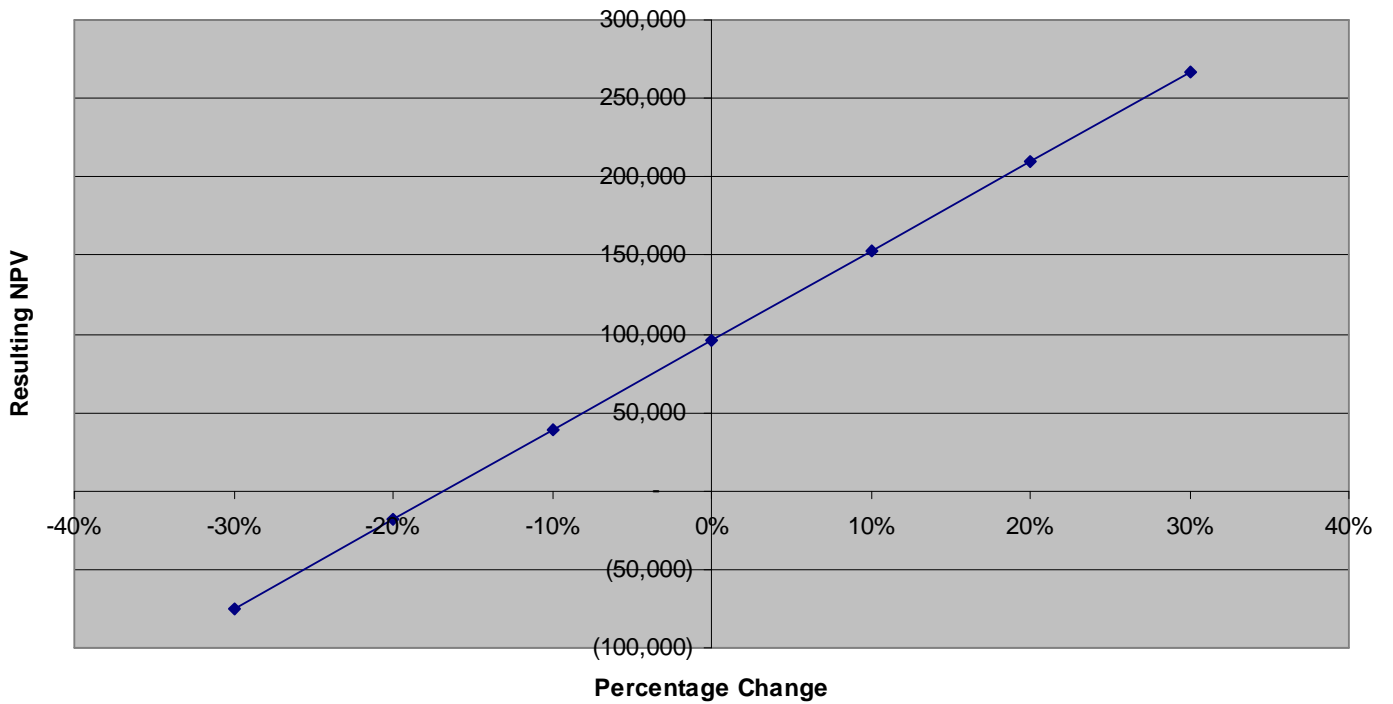
Sensitivity Diagram for Each Variable



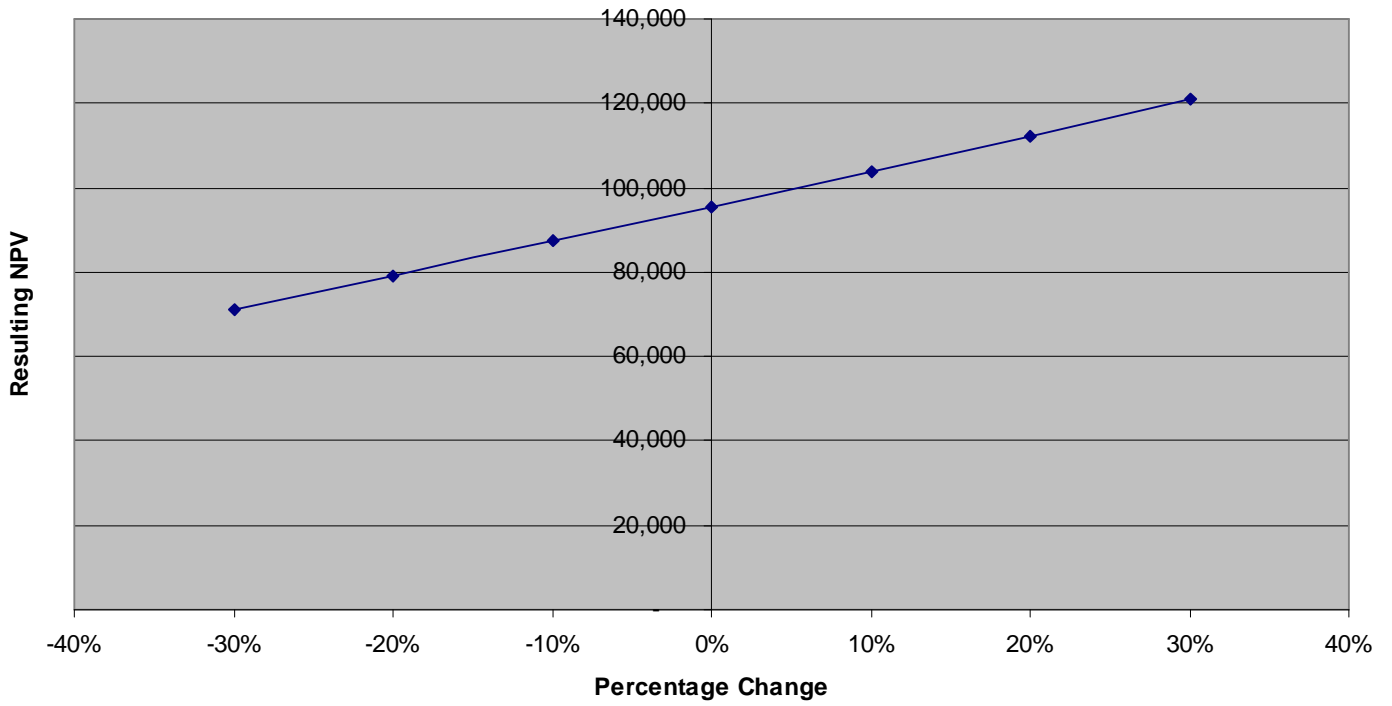
Sensitivity Diagram: Unit Sales (lbs)



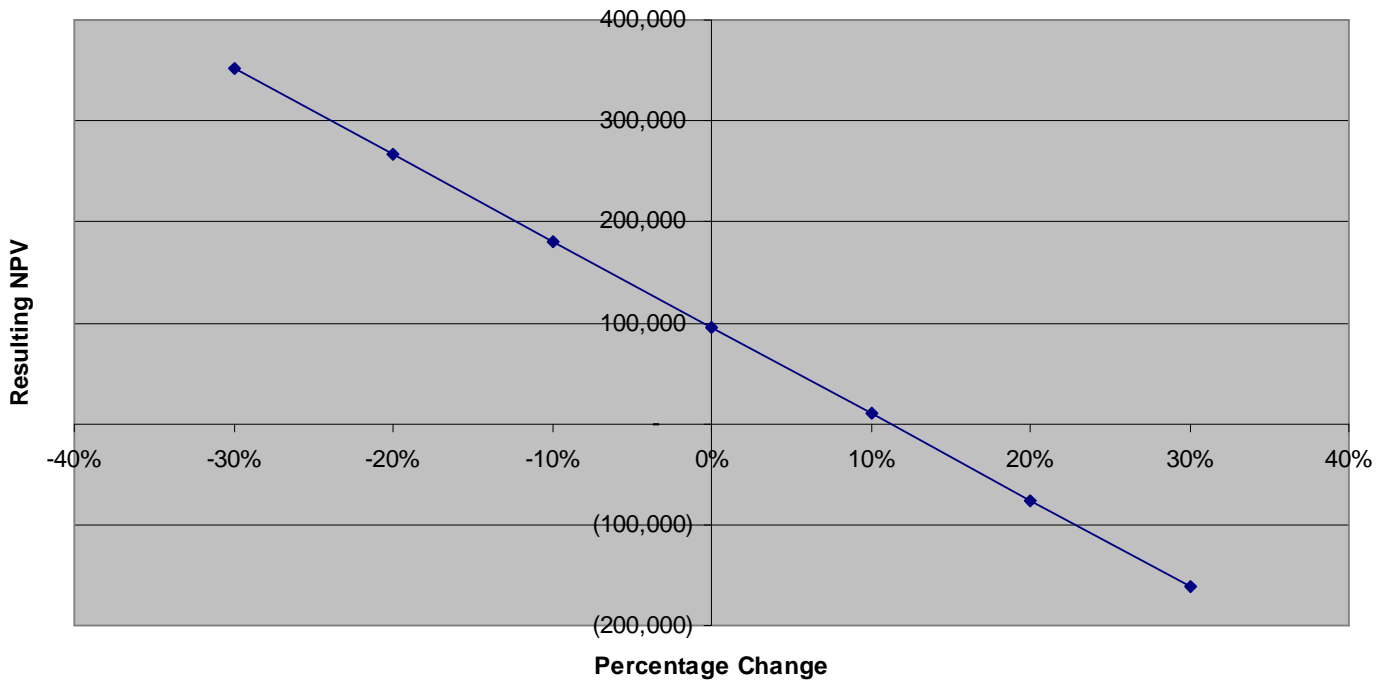
Sensitivity Diagram: Price Per Pound



Sensitivity Diagram: Growth Rate

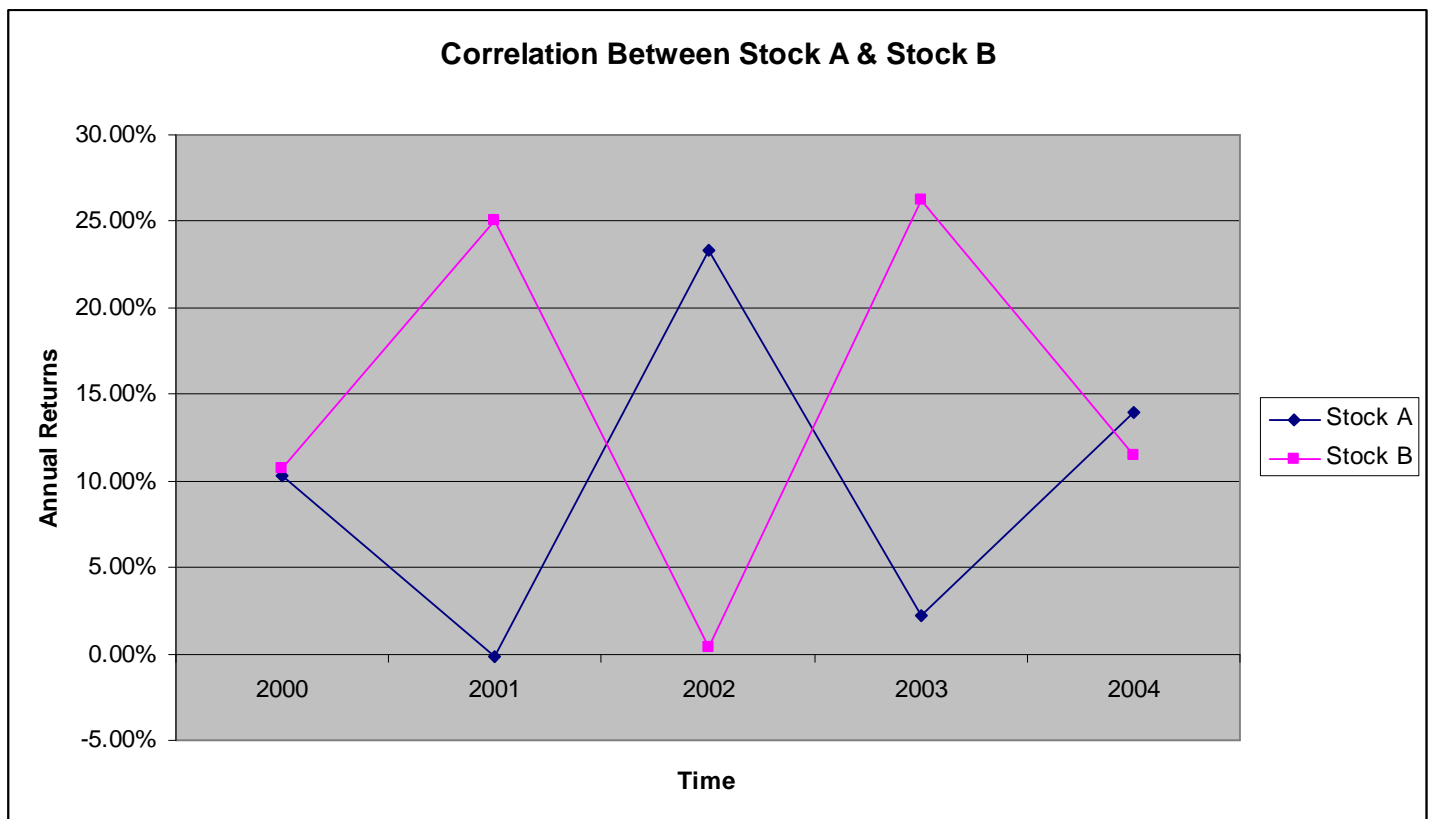


Sensitivity Diagram: Variable Costs as % of Sales



Determining Portfolio Risk and Return

Year	Stock A Returns	Stock B Returns	Portfolio
2000	10.30%	10.71%	10.51%
2001	-0.10%	25.00%	12.45%
2002	23.30%	0.38%	11.84%
2003	2.20%	26.20%	14.20%
2004	14.00%	11.52%	12.76%
Expected Return	9.94%	14.76%	12.35%
Standard Deviation	9.43%	10.83%	10.13%
Correlation	-0.9741		



Weights			
Stock A		Stock B	Portfolio Standard Deviation
100%		0%	9.43%
90%		10%	7.44%
80%		20%	5.46%
70%		30%	3.51%
60%		40%	1.74%
50%		50%	1.35%
40%		60%	2.95%
30%		70%	4.87%
20%		80%	6.84%
10%		90%	8.83%
0%		100%	10.83%

