Question No.01

Net Profit	180
Depreciation expense	100
	280
+ cash inflow/ outflow	
Cash	100
Securities	(400)
A/R	100
Inventory	300
Capital Expenditure	(420)
Account payable	200
Notes Payable	(100)
Assets	(100)
Long term Debt	200
	(220)

FCF = 280-220

= 60

Question No.02

Risk:

Risk is the degree of uncertainty.

It may be negative or positive. commonly, as investment risks occur, investors strive for higher returns to pay off themselves for taking such risks.

Return on investment (ROI) is the ratio of a profit or loss made in a fiscal year expressed in terms of an investment. It is expressed in terms of a percentage of increase or decrease in the value of the investment during the year in question. For example, if you invested $100 in a share of stock and its value rises to $110 by the end of the fiscal year, the return on the investment is a healthy 10%, assuming no dividends were paid.

The basic ROI formula is: Net Profit / Total Investment * 100 = ROI. Let's apply the formula with the help of an example.

You are a house flipper. You purchased a house at the courthouse auction for $75,000 and spent $35,000 in renovations. After sales, expenses, and commission, you netted $160,000 on the sale of the renovated house. What is the ROI?

Your net profit is going to be what you netted ($160,000) minus what you spent ($75,000 + $35,000), so it is $50,000. Your total investment is also what you spent ($75,000 + $35,000), which is $110,000.

ROI = Net Profit / Total Investment * 100

ROI = 50,000 / 110,000 * 100

ROI = .45 * 100

ROI = 45%

If only house flipping was that easy. Keep in mind that you can certainly lose money on an investment. If there is a loss, the formula will yield a negative number. Here's a simple example:

ROI = -1,000 / 5,000 * 100

ROI = -0.2 * 100

Systematic and nonsystematic risk

While systematic risk can be supposed of as the probability of a loss that is linked with the whole market or a segment thereof, unsystematic risk refers to the probability of a loss within a definite business or security.

Examples:

The example of systematic risk is lockdowns that may affect all industries and unsystematic risk is loss in specific segment like securities.

Question No.03

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Purchase = 20,000

Current value = 21500

Gain = 1500

Revenue = 800

$$\text{Totalgain} = \frac{1500 + 1800}{20,000} \times 100$$

$$= 11.5\%$$

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Purcahse=12,000

Current value= 11800

Loss= 200

Revenue = 1700

$$\text{Return} = \frac{1700-200}{12{,}000} \times 100$$

$$= 12.5\%$$

Question No.04

Capital Expenditure Data for Bennett Company		
	Project A	**Project B**
Initial investment	**$42,000**	**$45,000**
Year	**Operating cash inflows**	
1	**14000**	**28000**
2	**14000**	**12000**
3	**14000**	**10000**
4	**14000**	**10000**
5	**14000**	**10000**

1	12727	25454
2	11570	9917
3	10518	7513
4	9589	6844
5	8717	6211
NPV	53070	55923

PAY BACK

Project A payback after 3 years

Project B Payback after 2.5 years

Project Value = $\frac{F.v}{(1+i)n} = \frac{14000}{1.10}$