



NET PRESENT VALUE



Net Present Value-Format

YEAR	CASH FLOWS	DISCOUNTING FACTOR	PRESENT VALUE
0	(Initial Investment)		
1			
2			
3		NPV	XXXX



Decision Rule

- If $NPV > 0$ **ACCEPT**
- If $NPV < 0$ **REJECT**



- NPV is the difference between the present value of cash inflows and the present value of cash outflows.
- $NPV = CI - CO$



Advantages

- Consider all cash flows over the full period of a project
- It considers Time value of Money
- Measures true profitability