

Capital Budgeting Worksheet

Fixed asset purchases require a business to tie up its capital for long periods of time. As such the organization should generate a reasonable return on its investment to justify the expenditure. This Capital Budgeting worksheet will enable you to quantify that decision.

PROJECT: _____		COST OF CAPITAL: _____		
Year	Net Cash Flow	X	PVIF	PV of Cash Flow
1	_____	X	_____	_____
2	_____	X	_____	_____
3	_____	X	_____	_____
4	_____	X	_____	_____
5	_____	X	_____	_____
6	_____		_____	_____
7	_____		_____	_____
8	_____		_____	_____
9	_____		_____	_____
10	_____		_____	_____
11	_____		_____	_____
12	_____		_____	_____
13	_____		_____	_____
14	_____		_____	_____
15	_____		_____	_____
			PV of Inflows:	_____
			<i>Less: Cost:</i>	_____
			Net Present Value:	_____

Capital Budgeting Worksheet

Any asset purchase that ties up your cash for a long period of time needs to go through a capital budgeting exercise. You should accept any project that has a $NPV \geq 0$. If you have competing projects for the same cost of capital take the project that has the higher NPV.

HOW TO USE WORKSHEET:

1. Start with an appropriate cost of capital. This should represent a reasonable rate of return. Suggested rate would be somewhere between 15-25%. At a minimum should be cost of borrowing + 5.0%.
2. Next determine the useful life of the project and determine the annual cost savings or increases in revenue expected from the project. This is a net savings/revenue number. Record these dollars in the Net Cash Flow column for each year of the project's useful life.
3. Next based on your cost of capital, record the present value interest factor (PVIF) for each year of the project's useful life (see Present Value of \$1.00 Table). For example at 12.0% in year 5 the PVIF is 0.567.
4. Multiply the Net Cash Flow x PVIF to determine the Present Value of Cash Flow for each year of the project's useful life.
5. Sum the Present Value of Cash Flow column and record the total in the PV of Inflows.
6. Record the Cost of the project.
7. Subtract the cost from the PV of inflows. If the answer is greater than zero it states accept the project as it is returning at least your required rate of return.

Questions:

If you have questions on how to fill out the Capital Budgeting Worksheet, contact a Hipereon professional. You may also consider attending one of our financial management programs that demonstrates how to use this tool and much more:

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Present Value of \$1.00

Periods	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	12%	14%	15%	20%	22%	24%	26%	30%	40%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909	0.893	0.877	0.870	0.833	0.820	0.806	0.794	0.769	0.714
2	0.980	0.961	0.943	0.925	0.907	0.890	0.873	0.857	0.842	0.826	0.797	0.769	0.756	0.694	0.672	0.650	0.630	0.592	0.510
3	0.971	0.942	0.915	0.889	0.864	0.840	0.816	0.794	0.772	0.751	0.712	0.675	0.658	0.579	0.551	0.524	0.500	0.455	0.364
4	0.961	0.924	0.888	0.855	0.823	0.792	0.763	0.735	0.708	0.683	0.636	0.592	0.572	0.482	0.451	0.423	0.397	0.350	0.260
5	0.951	0.906	0.863	0.822	0.784	0.747	0.713	0.681	0.650	0.621	0.567	0.519	0.497	0.402	0.370	0.341	0.315	0.269	0.186
6	0.942	0.888	0.837	0.790	0.746	0.705	0.666	0.630	0.596	0.564	0.507	0.456	0.432	0.335	0.303	0.275	0.250	0.207	0.133
7	0.933	0.871	0.813	0.760	0.711	0.665	0.623	0.583	0.547	0.513	0.452	0.400	0.376	0.279	0.249	0.222	0.198	0.159	0.095
8	0.923	0.853	0.789	0.731	0.677	0.627	0.582	0.540	0.502	0.467	0.404	0.351	0.327	0.233	0.204	0.179	0.157	0.123	0.068
9	0.914	0.837	0.766	0.703	0.645	0.592	0.544	0.500	0.460	0.424	0.361	0.308	0.284	0.194	0.167	0.144	0.125	0.094	0.048
10	0.905	0.820	0.744	0.676	0.614	0.558	0.508	0.463	0.422	0.386	0.322	0.270	0.247	0.162	0.137	0.116	0.090	0.073	0.035
11	0.896	0.804	0.722	0.650	0.585	0.527	0.475	0.429	0.388	0.350	0.287	0.237	0.215	0.135	0.112	0.094	0.079	0.056	0.025
12	0.887	0.788	0.701	0.625	0.557	0.497	0.444	0.397	0.356	0.319	0.257	0.208	0.187	0.112	0.092	0.076	0.062	0.043	0.018
13	0.879	0.773	0.681	0.601	0.530	0.469	0.415	0.368	0.326	0.290	0.229	0.182	0.163	0.093	0.075	0.061	0.050	0.033	0.013
14	0.870	0.758	0.661	0.577	0.505	0.442	0.388	0.340	0.299	0.263	0.205	0.160	0.141	0.078	0.062	0.049	0.039	0.025	0.009
15	0.861	0.743	0.642	0.555	0.481	0.417	0.362	0.315	0.275	0.239	0.183	0.140	0.123	0.065	0.051	0.040	0.031	0.020	0.006
16	0.853	0.728	0.623	0.534	0.458	0.394	0.339	0.292	0.252	0.218	0.163	0.123	0.107	0.054	0.042	0.032	0.025	0.015	0.005
17	0.844	0.714	0.605	0.513	0.436	0.371	0.317	0.270	0.231	0.198	0.146	0.108	0.093	0.045	0.034	0.026	0.020	0.012	0.003
18	0.836	0.700	0.587	0.494	0.416	0.350	0.296	0.250	0.212	0.180	0.130	0.095	0.081	0.038	0.028	0.021	0.016	0.009	0.002
19	0.828	0.686	0.570	0.475	0.396	0.331	0.277	0.232	0.194	0.164	0.116	0.083	0.070	0.031	0.023	0.017	0.012	0.007	0.002
20	0.820	0.673	0.554	0.456	0.377	0.312	0.258	0.215	0.178	0.149	0.104	0.073	0.061	0.026	0.019	0.014	0.010	0.005	0.001