

Simplified Illustration of an NPV Analysis of a Business Case

Tax Rate 35%
Discount Rate 15.00%

Year	1	2	3	4	Terminal Cash Flow
Average Lines	50	100	150	200	
Monthly Prices	\$55	\$55	\$55	\$55	
Annual Revenue	\$33,000	\$66,000	\$99,000	\$132,000	
Investment	\$150,000				
Cash Expense	\$5,000	\$5,000	\$5,000	\$5,000	
Depreciation (4 year life)	\$37,500	\$37,500	\$37,500	\$37,500	
Pretax Income	(\$9,500)	\$23,500	\$56,500	\$89,500	
Taxes	(\$3,325)	\$8,225	\$19,775	\$31,325	
Carry Forward	(\$3,325)	\$0	\$0	\$0	
Effective Taxes	\$0	\$4,900	\$19,775	\$31,325	
Net Income	(\$9,500)	\$18,600	\$36,725	\$58,175	
After Tax Cash Flow	(\$122,000)	\$56,100	\$74,225	\$95,675	
Discount Factor	1.00	1.15	1.32	1.52	
Discounted Cash Flow	(\$122,000)	\$48,783	\$56,125	\$62,908	
NPV		\$45,815			
