



Following up: Print and publish/Getting financed

Chapter: 12

Publishing management

Publishing means distributing the plan where all the managers can see it

People who make commitments as part of the plan need to see those commitments on record





Final edit



Have you read it over again?

Do you have someone who can read it for you?

Sometimes you don't see the errors

Check the numbers in your charts and tables



Presentation



Presentation is important to communicate content

Charts make numbers easier to read quickly and they can be essential when numbers are complex

Text formatting should make the text easy to read

Use a legible font and a good mix of section headings

Use colors in charts



Related documents

Use a two- to-four-page Summary Memo

It should have some points:

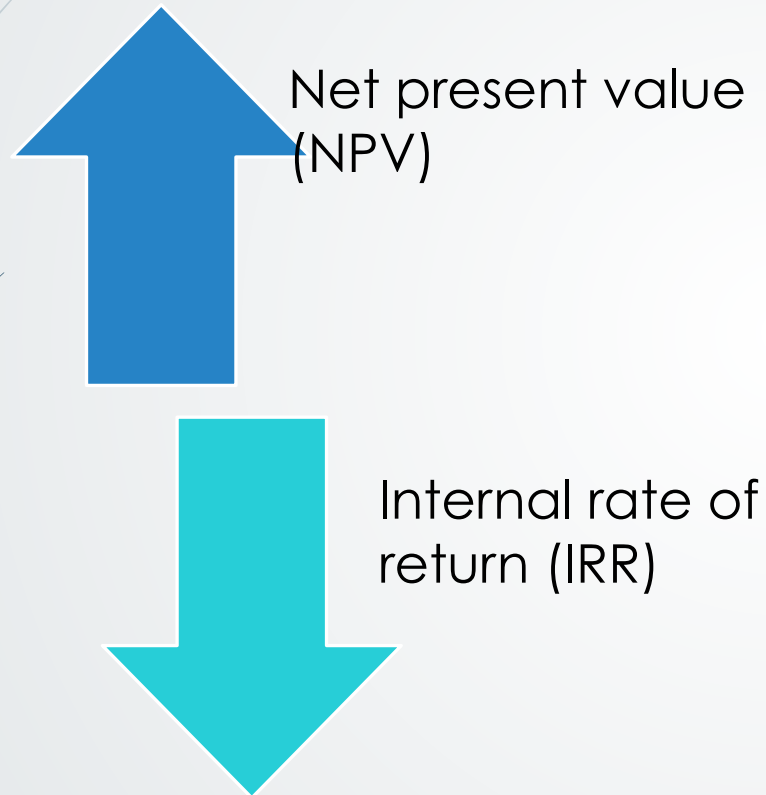
- Competitive edge
- Market needs
- Defensibility
- Track records
- Resumes of main team members

Getting financed



- ▶ Investors/lenders
- ▶ Questions
- ▶ Equity
- ▶ Debt/loans
- ▶ Executive summaries

Time value of money



What would you choose if you could have \$95 today or \$100 a year from today?

What if you could have \$10 today or \$100 a year from now?

Net Present Value (NPV)

To compute NPV and apply the NPV rule define a five-step process to be used in solving problems:

- Identify all cash inflows and cash outflows.
- Determine an appropriate discount rate (r).
- Use the discount rate to find the present value of all cash inflows and outflows.
- Add together all present values. (From the section on cash flow additivity, we know that this action is appropriate since the cash flows have been indexed to $t=0$.)
- Make a decision on the project or investment using the NPV rule: Say yes to a project if the NPV is positive; say no if NPV is negative. As a tool for choosing among alternates, the NPV rule would prefer the investment with the higher positive NPV.

Advantages of NPV

NPV method, is a direct measure of the contribution

It increases the wealth of the shareholders as it gives you money

The investment will increase the firms value

Considers all the cash flows

Considers the time value of money

Considers the risk of future cash flows

Provides better forecast



Properties of NPV



Higher income amounts make the net present value higher

If profits come sooner, the net present value is higher

Changing the discount rate changes the net present value.

Internal rate of return (IRR)

Used to measure and compare the profitability of various business projects and investments

Common measurement used by business leaders to decide which projects will yield the greatest results in the form of return on investments

IRR





Advantages of IRR

- ▶ IRR is indicating a rate of return of a project
- ▶ IRR is sometimes referred to as "economic rate of return (ERR)"
- ▶ IRR method, it shows the return on the original money invested
- ▶ No need to calculate the cost of capital
- ▶ Tell weather an investment increase the firm value
- ▶ It calculates Break-even
- ▶ IRR calculates an alternative cost of capital including an appropriate risk premium



NPV vs. IRR

- ▶ NPV calculated in terms of currency while IRR is expressed in terms of the percentage
- ▶ The IRR Method cannot be used to evaluate projects where there are changing in cash flows
- ▶ NPV calculate additional wealth
- ▶ IRR calculation is ineffective if a project with a mixture of multiple positive and negative cash flow
- ▶ Flexibility



Small business financing myths:



Small business financing myths:



Bank loans are the most likely option for funding a new business



Business plans sell investors

Where to look for money?

- ▶ Match the needs of the company
- ▶ It depends on your company and the kind of money you need





Different types of investment and lending available



Venture capital

“Sort-of”
venture capital:
Angels
and
others

Commer
cial
lenders

Friends
and
family
funding



Summary

- ▶ Most businesses are financed by home equity or savings as they start. Only a few can attract outside investment. Venture capital deals are extremely rare. Borrowing will always depend on collateral and guarantees, not on business plans or ideas



Thanks for your attention