

B02031: FINANCIAL PLANNING AND POLICY

Bài tập Chương 2 (Phần 1)

EX3: In the JC Crawford example, capital expenditures (CAPEX) are estimated using projected balances for net property, plant, and equipment (net PPE), which is determined by the firm's projected sales. In 2016, the estimated ending balance for net PPE is projected to be \$440,000, which represents an increase of \$40,000 over the ending balance for 2015. However, CAPEX for 2016 is estimated to be \$80,000. Why is the change in net PPE not equal to CAPEX? (Hint: Consider the effect of annual depreciation expense on net PPE.)

EX4: Raphael Restaurant is considering the purchase of a \$9,000 soufflé maker. The soufflé maker has an economic life of five years and will be fully depreciated by the straight-line method. The machine will produce 1,500 soufflés per year, with each costing \$2.30 to make and priced at \$4.75. Assume that the discount rate is 14 percent and the tax rate is 34 percent. Should Raphael make the purchase?

EX5: Knowing the expected sales of the investment as below. Requirement of Net Working Capital in each year is equal to 25% of the sales. Construct a table of calculating Change in ONWC.

	0	1	2	3	4	5
Revenue (in USD)		1,050,000	1,155,000	1,270,500	1,397,550	1,537,305
ONWC						
Change in Operating NWC						

EX6: Calculate the salvage value of PPE that would be included in incremental cash flow of the project. Knowing that the machine's book value at the end of the project is \$200,000.

The selling price of the machine at the end of the project would be:

- a) \$200,000
- b) \$250,000
- c) \$170,000

EX7: TCM has just sold an old loom machine to receive an amount of 120 million VND. The company expects to buy a new loom machine worth 500 million VND, the cost of transportation and installation is 10 million VND. Knowing that when operating a new machine, the requirement for working capital does not increase significantly; the corporate income tax rate is 20%. The company spent 30 million VND to hire a consulting company one year ago. What is the initial investment of the project?

EX8: ST seafood company has just decided to expand another frozen shrimp factory. The factory investment cost is expected to be \$115,000; the costs for machines and equipment worth \$20,000, installation and transportation costs \$3,000. As soon as it goes into operation, the new factory requires a new working capital of \$5,000 (in year 0). What is the initial investment of the project?

EX9: VINATEX purchased a dyeing machine 3 years ago with the original price of \$2,100, its useful life is 7 years. The machine is depreciated by straight line method. This year, the company is considering replacing a new machine with the original price of \$3,600, which would be used for 4 years. If VINATEX buys this new machine, the company will sell the old machine and receive \$1,000. If the new one is applied, the company's revenue will increase from \$6,800 to \$8,500, the operating expenses (not including depreciation expense) will decrease from \$5,800 to \$5,300. The company income tax rate is 25%.

Compute the incremental cash flows of the investment for each year.

EX10: VINATEX purchased a dyeing machine 3 years ago with the original price of \$2,100, its useful life is 7 years. The machine is depreciated by sum of year digits method. This year, the company is considering replacing a new machine with the original price of \$3,600, which would be used for 4 years. If VINATEX buys this new machine, the company will sell the old machine and receive \$1,000. If the new one is applied, the company's revenue will increase from \$6,800 to \$8,500, the operating expenses (not including depreciation expense) will decrease from \$5,800 to \$5,300. The company income tax rate is 25%.

Compute the incremental cash flows of the investment for each year.