

## Corporate Finance Fundamentals

### Module 2: Capital Investment - Metrics

Term	Definition
<b>Allocation Metrics</b>	Commonly used measurements to allocate resources across various projects or business units based on profitability or cost-benefit analysis.
<b>Cash Flow Analysis</b>	The process of examining the inflows and outflows of cash to determine the financial viability of projects.
<b>Cumulative Cash Flow</b>	The total sum of cash flows over time, used to evaluate payback periods.
<b>Decision Metrics</b>	Quantitative tools and techniques used to evaluate and compare the viability of investment opportunities.
<b>Discount Rate</b>	The rate used to discount future cash flows to their present value, often representing the cost of capital.
<b>Inflection Point</b>	The point where cumulative cash flow switches from negative to positive, critical for calculating payback periods.
<b>Intercept Function</b>	An Excel function used to find the exact point where cumulative cash flows change from negative to positive.
<b>Internal Rate of Return (IRR)</b>	The expected compounded annual rate of return on a project or investment over its life.
<b>Net Cash Flow</b>	The difference between a company's cash inflows and outflows over a given period.
<b>Net Present Value (NPV)</b>	The value of all future cash flows, both positive and negative, discounted back to the present.

<b>Payback Period</b>	The time it takes for a company to recover its initial investment in a project.
<b>Present Value (PV)</b>	The current value of future cash flows discounted at a specified rate.
<b>Profitability Index</b>	A metric that calculates the ratio of the present value of future cash flows to the initial investment, used to rank investment projects.
<b>Time Value of Money</b>	The principle that a dollar today is worth more than a dollar in the future due to its earning potential.
<b>XIRR</b>	An Excel function that calculates the internal rate of return for cash flows that occur at irregular intervals.
<b>XNPV</b>	An Excel function that calculates the net present value for a series of cash flows that are not periodic, using specific dates.