

NPV NET PRESENT VALUE Summary

“Cheat Sheet” by MBAbullshit.com

☺ NPV is similar to [Present Value](#), but is more like different present values “combined.” Basically, it’s today’s value of different [future values](#). (Huh???)

☺ Imagine you’re given different values in the future... and you use the present value formula on each of those future values; and then you combine it into just one present value. That’s your NPV!

You calculate it using the [NPV Net Present Value formula](#):

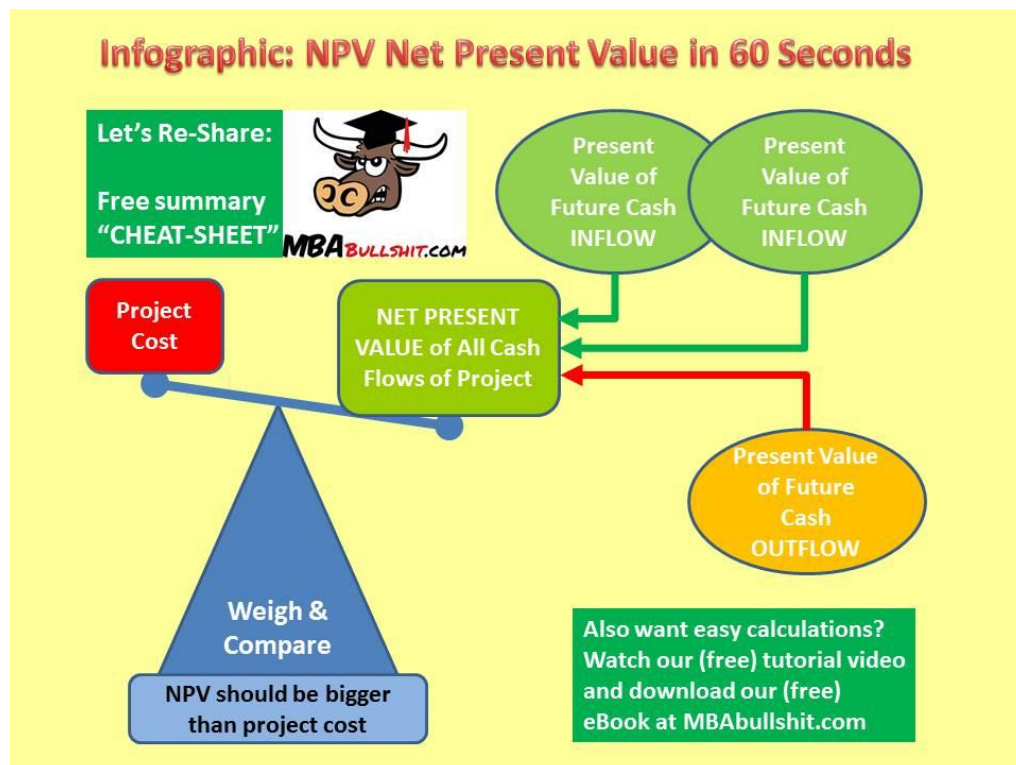
$$\text{NPV} = (\text{Cash in or out today - if any}) + (\text{Cash in or out in Yr 1})^{-1} + (\text{Cash in or out in next years})^{-n}$$

(To see this formula in action, watch it for free right now at <http://www.mbabullshit.com> or [click here](#).)

Net Present Value is normally used to determine if a project is bad or good. If future cash flows have a NPV higher than a project’s cost, then the project is “good.” If it’s lower, then project is “bad”.

Alternatively, if the project’s cost is *already included* in the NPV calculation, the project is “good” if the NPV is simply positive; and the project is “bad” if the NPV is simply negative.

(You may download my free eBook at <http://www.mbabullshit.com> or [click here](#).)



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