

b + c + e: investment CFs
 affected by inflation?

no \$ used to purchase asset(s). negative number for npv analysis

yes, if the salvage is value @ today's \$
 \$ received when assets are sold. positive number, need to find the present the price

tax shield from depreciation, positive number, need to find the present value

no consider CCA:
 PV(perpetual tax shield GAINED) Positive Value, 50% rule $\frac{B_d T (1 + \frac{1}{2})}{(1+d)(1+i)}$

yes, salvage value, no need 50% Rule
 PV(perpetual tax shield loss when salvage at salvage value) negative n

e. working capital:

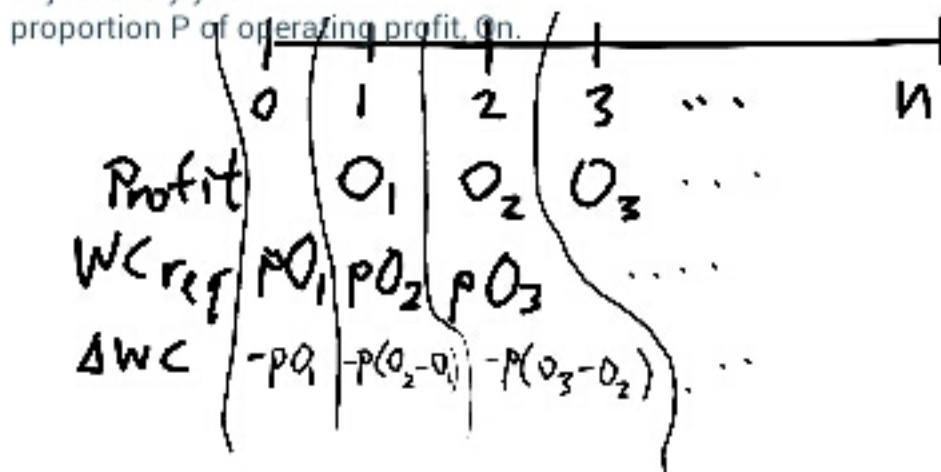
something that keeps the company going, spend some money ahead before customers pay either flat amount, a proportion of operating profit or ... ?

invest first at time 0, and then we recovered all at time n, end of project.

if flat amount, $-WC$ invested, $+WC$ recovered, there is a net opportunity cost

not affected by inflation, unless specified.

if there is inflation, have to add money for the inflation, not discounting at the end. have to adjust every year.



this could also include the case of inflation with inflation, how to handle them

operating: revenue variable cost, fixed cost, overhead cost (maintenance, over time)

all are affected by taxes and inflation, especially when specified as "time 0", "today's

dollar", "year-one", grow them separately U

have tax shield for all those cost.

start-up or installation cost, U



$$-U + \frac{U.T}{1+i}$$

all other operating values are $x(1-T)$
to make them "after-tax". by convention,
they are specified as "before-tax" values.