Section- 5

Q-2 / Ans

NPV (Net Present Value) is one of the widely used methods for evaluating capital investments proposals. In the this method the cash inflow that is expected at different periods of time is discounted at a particular rate.

The present value of the cash inflow that is expected is compared ~~and~~ at different period of time is discounted ~~[illegible]~~ and is compared to the orignal investment. This method considers the the time value ~~and~~ of money and is consistent with the objective of maximizing profits for the owners.

Whereas, IRR (Internal Rate of Return) is defined as rate at which the net present value of investment is zero. The discounted cash inflow is equal to the discounted cash outflow. This method also considers time value of money.

The corporate financial management is the art or process of practicing of developing strategies and plans and making investment decisions that positively affect the operations of a corporation. Corporate financial management involves setting goals / planning how to achieve them, and perhaps most importantly deciding the best way to pay them back.

The TVM (Time Value of Money) is the concept that money you have now is worth more than the identical sum in the future due to its potential earning capacity. TVM is also referred to sometimes as present discounted Value.