

## User Guide for Investment Project Analysis Template

### Description of the Investment Project Financial Analysis Template

This workbook contains an analysis of the financial return on an investment project. The project can have multiple sub-projects, or assets, each with its own investment, cash flow, revenue model, operating expenses, profit, and asset value (for example, multiple pieces of equipment or vehicles). You can specify how to finance each subproject.

When you customize the model, you can choose the following features. (Not all of these features are available in the Standard version.)

- Time range and time grain (weeks, months, quarters, years)
- Investment subprojects that you can analyze separately and in aggregate.
- Blend equity, debt and lease financing, independently for each subproject, with effects on interest, depreciation, lease expenses and taxes.
- Choose the sales model
  - Simple sales model based on initial revenue and revenue growth
  - Sales model based on prices, initial sales units and sales units growth
- Number, names and start dates of assets whose financial performance is separately tracked
- Types of working capital (which vary proportional to revenue)
- Types of fixed operating expenses (that do not vary with revenue)
- Types of variable operating expenses (that vary with revenue)

You can enter the following input data (in the darker blue cells on worksheet "Inputs").

- initial investment, a choice of depreciation methods, and asset salvage value
- working capital initial value, requirements, and salvage value
- a project revenue stream
- income taxes and credits
- a choice of methods of computing the discount rate.

The main outputs of the model are:

- The operating cash flow, shown on worksheet "Cash Flow"
- The net present value (NPV), return on capital (ROC), and internal rate of return (IRR), shown on worksheet "Valuation."

The model contains Excel graphs of key variables. These graphs are integrated into the ModelSheet model from which they get their source data. You can add more graphs, and optionally import them to ModelSheet and include them in future exported Excel workbooks.

#### Acknowledgement

The original version of this model was based on an investment project analysis workbook named capbudg.xls made available for public use on the website of Professor Aswath Damodaran of NYU Stern School of Business at <http://pages.stern.nyu.edu/~adamodar/>. ModelSheet Software has extended the model to include multiple investments, and is solely responsible for any errors in this derivative work.



## Instructions for Using Investment Project Analysis Template

### 1 Let the template tell you how it works

The template has four main facilities to help you learn how it works.

- Throughout the template, section titles, variable names and Excel comments provide information about the template and the computations behind it. The Excel comment for each variable is repeated for each display instance of a variable.
- Worksheet “Labels” contains a glossary of variables and dimensions in the template.
  - It lists all the variables in the model, accompanied on the right by the explanatory comment for each variable.
  - It lists all the dimensions and their dimension items, accompanied on the right by the explanatory comment for each dimension.
- The Excel workbook contains Excel collapsible groups that you can open to see detailed information or close to get an overview of the information on each worksheet.
- Worksheet “Formulas” contains a list of the symbolic formulas that define values of variables in terms of numerical constants and other variables.

The template is derived from these symbolic formulas by ModelSheet. Although these formulas are not executable in Excel, they often provide the quickest route to understanding what the computations are doing, avoiding the need to decode dozens of Excel formulas written in terms of cell addresses.

Of course, you can read the Excel cell formulas.

### 2 Editing Data in the Excel Template

You can enter input data in shaded input cells (usually dark blue). Most of the input data is on worksheet 'Inputs'. You can edit display names of variables and dimension items on worksheet 'Labels' (and in some templates the input cell for Model Start Date is located at the top of worksheet 'Labels'). Putting most inputs in one or two places eliminates the need to search the workbook for input cells.

### 3 Customizing the Excel Template

You can customize the workbook further on the worksheet “Labels”.

- Change the model start date (at the top of the worksheet).
- Change the display name of any variable, dimension or dimension item.
- Edit the comment associated with any variable or dimension. The new comments will not propagate through the workbook.

If you want to include these changes in a future version of the template, you can re-import them into ModelSheet, which will include them in any future version of the template exported from ModelSheet.

### 4 Further Customizations

This template has additional features that can be turned on or added, such as learning curve effects, lot size scale effects, recruiting costs and more.

In addition, ModelSheet Software can extend the template in new directions to meet your requirements, on a project basis.

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