Evaluating Business Investments

(Crossword Puzzle)

Harold Averkamp
CPA, MBA

AccountingCoach®

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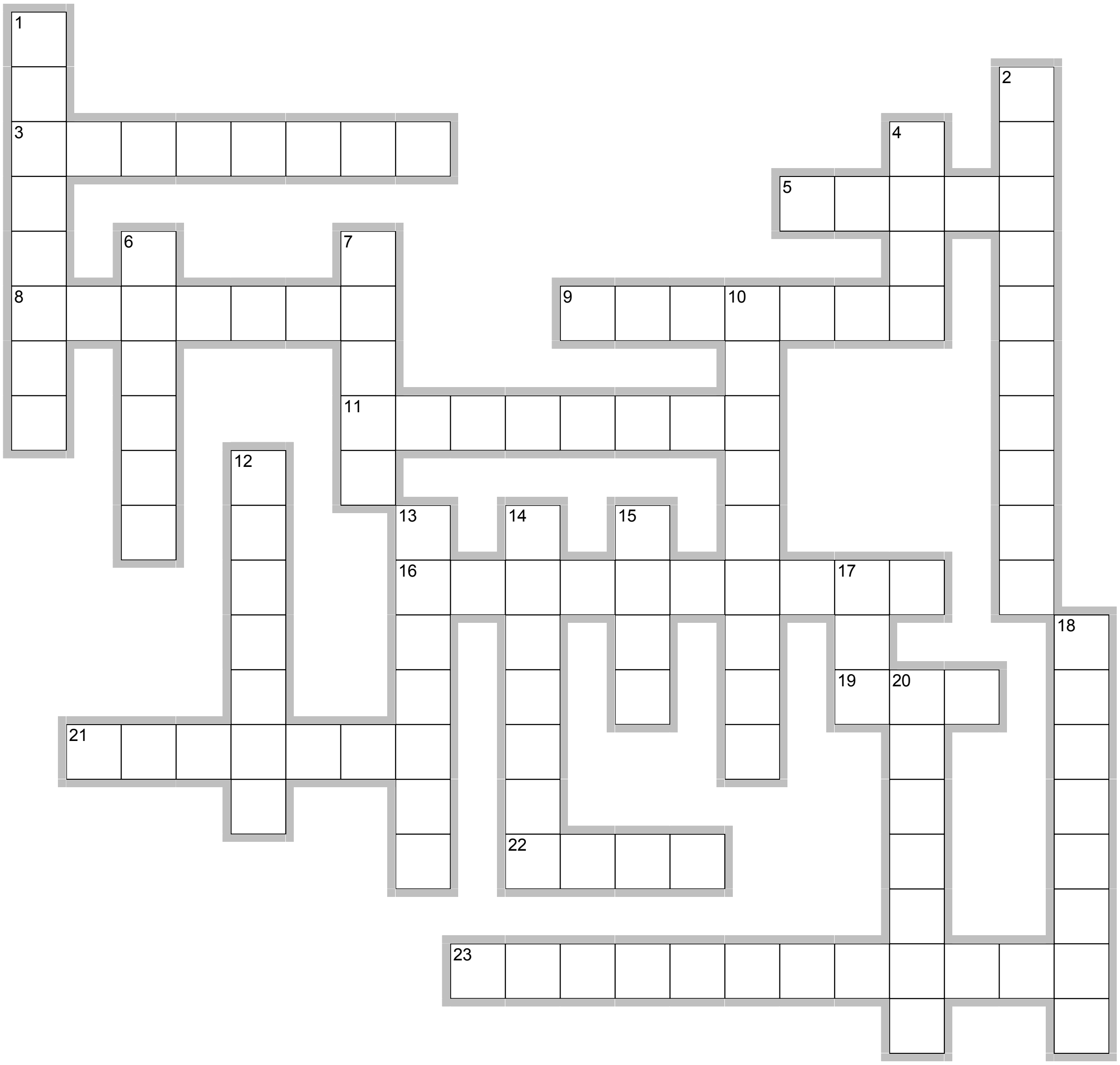
Crossword Puzzle (Evaluating Business Investments)



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Across (Evaluating Business Investments)

3. The _______________ rate of return uses discounted cash flows.

5. The payback method does not use the cash ________ after the payback period.

8. The depreciation used for tax purposes is relevant because it shelters ______________ income and the resulting outflow of cash.

9. This method of evaluating projects uses cash flows that are NOT discounted.

11. One step in determining the net present value of a project is to discount the future cash flows by the _____________ rate of return. Also referred to as the targeted, desired, minimum, or hurdle rate of return.

16. The _________________ rate of return does NOT use cash flows.

19. The depreciation amount used for book or financial statement purposes is often different from the depreciation amount used for the ________ return.

21. A future amount that has been discounted to time period 0 is the __________ value.

22. The discounted cash flow techniques make explicit that a dollar in a future year is ________ valuable than a dollar in the present year.

23. The allocation of a long-term asset's cost to expense over its useful life.

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Down (Evaluating Business Investments)

1. A corporation's cost of capital is a _______________-average of its cost of common stock, cost of preferred stock, and the cost of its long-term debt.

2. The present value model is also referred to as a ___________________ cash flow model.

4. The _______ value of an asset is its cost minus its accumulated depreciation.

6. The internal rate of return is the rate that will result in no __________ present value.

7. Payback determines the number of __________ it takes to recover an investment without discounting any of the annual amounts.

10. Since most companies cannot accomplish all of the capital expenditures that have been identified as needed, companies rank the projects according to priority, profitability, etc. as part of a process known as capital _________________.

12. Depreciation is a ___________ expense.

13. Amounts paid to acquire long-term assets are ______________ expenditures.

14. The accounting rate of return uses the accounting amounts under the ___________ basis of accounting.

15. When deciding on replacing an old piece of equipment, the cost of the old equipment should be viewed as a __________ cost, since it is not relevant to the decision.

17. The _____ present value is the difference between the discounted cash going out and the discounted cash coming in.

18. An asset's ____________ amount is the same as its book value.

20. A series of equal future cash amounts that occur at equal time intervals.

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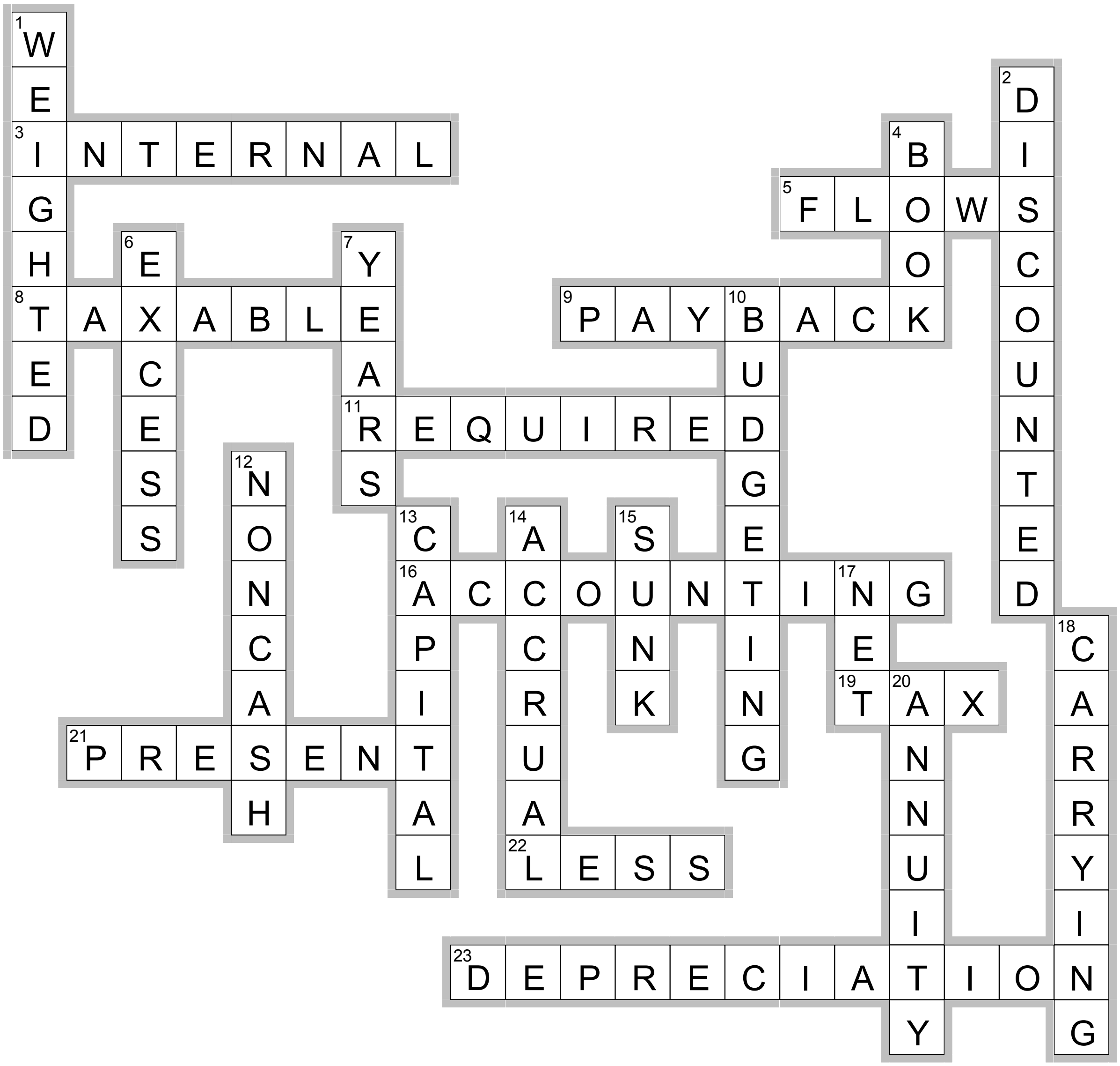
Solutions (Evaluating Business Investments)



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