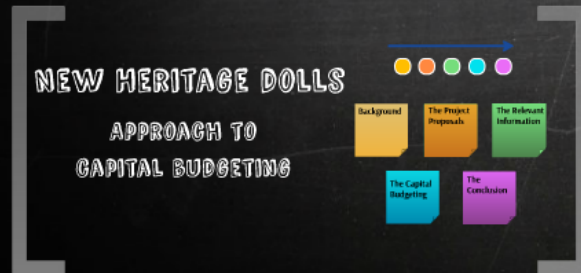


MODERN AGRICULTURAL FARM: BUDGETING FOR CONTROL

CAPITAL BUDGETING

By: Erick F.
P. Nandi W.S.
Sri Junita I.
Tommy H.
Roy S.

TheCaseSolutions.com



The Proposals
TheCaseSolutions.com

- The Project Proposals
- The Relevant Information

Closing

Start of the presentation. Start the key facts.
Our research and location are always relevant.

THE BACKGROUND
TheCaseSolutions.com

Emily Herris the vice president of New Heritage Doll Company's production manager had to recommend one of her projects over the others.
Her main objective is to:
"strengthen the company's innovative product lines and drive future growth"

By 2010 New Heritage Doll
• 500 Employees
• \$26 million of revenue
• \$27 million of operating profit

The Relevant Information

We can control the plan further through:
• Let Project B
• Internal Rate of Return
• Payback Period

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Analysis of Sensitivity

When the input with the highest uncertainty is the output, the project is more risky. The higher the uncertainty, the higher the risk. The higher the risk, the higher the required rate of return. The higher the required rate of return, the lower the NPV. The lower the NPV, the less likely the project is to be accepted.

The Capital Budgeting

A

B

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MODERN AGRICULT BUDGETING FOR CO

CAPITAL BUDGETING

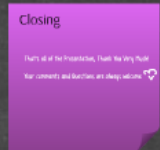
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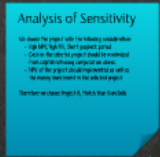
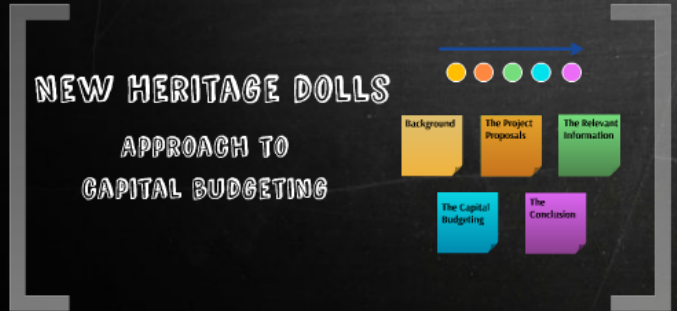


CAPITAL BUDGETING



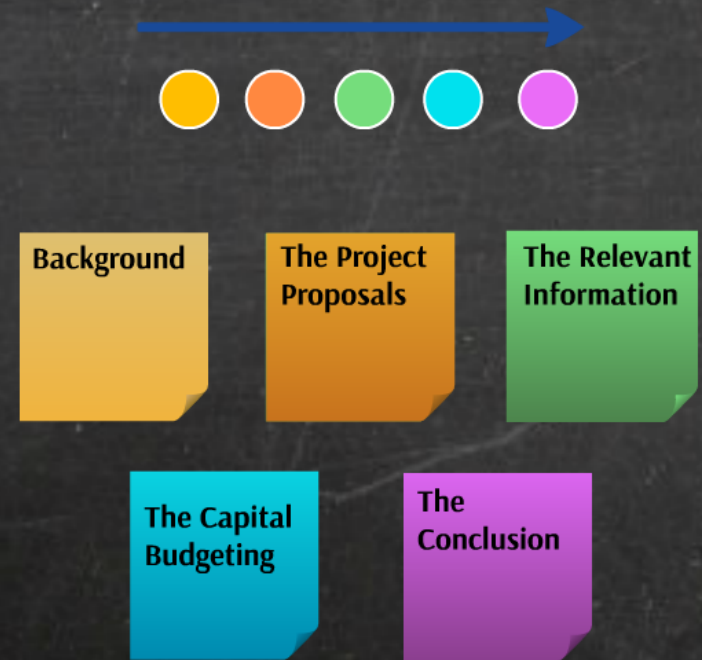
THE BACKGROUND
TheCaseSolutions.com
Emily Harris is the vice president of New Heritage Doll Company's production manager. She has to recommend one of her projects over the others. Her main objective is to "strengthen the division's innovative product lines and drive future growth".
By 2009 New Heritage had:
- 50 Employees
- \$26 million of revenue
- \$27 million of operating profit

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NEW HERITAGE DOLLS

APPROACH TO CAPITAL BUDGETING



THE BACKGROUND

TheCaseSolutions.com

Emily Harris the vice president of New Heritage Doll Company's production manager, had to recommend one of her projects over the others.

Her main objective is to:

"strengthen the division's innovative product lines and drive future growth"

By 2009 New Heritage had:

- 450 Employees
- \$245 million of revenue
- \$27 million of operating profit

The Proposals

TheCaseSolutins.com



Match My Doll Clothing Line Expansion

Expanding matching doll and child's clothing and accessories



Design Your Own Doll

Creating customizable "one of the kind" doll features through pre-purchase-proprietary design software

The Relevant Information

We can extract the information through:

- Net Present Value
- Internal Rate of Revenue
- Payback Period

TheCaseSolutions.com

The Capital Budgeting

Match My Doll Clothing Line Expansion
TheCaseSolutions.com

A

| PROJECT A | | | | | | | | | | | |
|--------------------------------------|---|--------|-------|-------|-------|-------|-------|--------|--------|------|--------|
| Periode | 0 | 1 | 2 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| EBIT | -1250 | 583 | 994 | 1277 | 1892 | 1503 | 1623 | 1753 | 1893 | 2045 | 2209 |
| Taxes (40%) | -500 | 233.2 | 397.6 | 510.8 | 556.8 | 601.2 | 649.2 | 701.2 | 757.2 | 818 | 883.6 |
| Net Income | -750 | 349.8 | 596.4 | 766.2 | 835.2 | 901.8 | 973.8 | 1051.8 | 1135.8 | 1227 | 1325.4 |
| (+) Depreciation | 0 | 152 | 152 | 152 | 152 | 164 | 178 | 192 | 207 | 224 | 242 |
| (-) DNWC* | 800 | 107 | 427 | 84 | 113 | 122 | 132 | 143 | 154 | 167 | 180 |
| (-) CAPEX | 1470 | 952 | 152 | 152 | 334 | 361 | 389 | 421 | 454 | 491 | 530 |
| Free Cash Flow | -3020 | -557 | 169 | 682 | 540 | 583 | 631 | 680 | 735 | 793 | 857 |
| Free Cash Flow (with Terminal Value) | -3020 | -557.2 | 169.4 | 682.2 | 540.2 | 582.8 | 630.8 | 679.8 | 734.8 | 793 | 16354 |
| NPV (8.4%) | -3020 | -514 | 144 | 494 | 961 | 359 | 359 | 357 | 356 | 354 | 353 |
| IRR | 7.64017819% | | | | | | | | | | 0.0300 |
| IRR (with Terminal Value) | 24% | | | | | | | | | | 16354 |
| Payback Analysis Project A | | | | | | | | | | | |
| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Cash Flow | -3020 | -557 | 169 | 682 | 540 | 583 | 631 | 680 | 735 | 793 | 857 |
| Cumulative Cashflow | -3020 | -3577 | -3408 | -2726 | -2185 | -1603 | -972 | -292 | 443 | 1236 | 2093 |
| Payback Period | The Payback Period is going to be on 2018, 8 Years after initial investment | | | | | | | x | | | |

Design Your Own Doll

B

| PROJECT B | | | | | | | | | | | |
|--------------------------------------|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|------------|
| Periode | 0 | 1 | 2 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| EBIT | -1201 | 0 | 550 | 1794 | 2724 | 2779 | 2946 | 3123 | 3310 | 3508 | 3719 |
| Taxes (40%) | -480.4 | 0 | 220 | 717.6 | 1089.6 | 1111.6 | 1178.4 | 1249.2 | 1324 | 1403.2 | 1487.6 |
| Net Income | -720.6 | 0 | 330 | 1076.4 | 1634.4 | 1667.4 | 1767.6 | 1873.8 | 1986 | 2104.8 | 2231.4 |
| (+) Depreciation | 0 | 0 | 310 | 310 | 310 | 436 | 462 | 480 | 520 | 551 | 584 |
| (-) DNWC* | 0 | 1000 | 24 | 1386 | 942 | 202 | 213 | 226 | 240 | 254 | 269 |
| (-) CAPEX | 4610 | 310 | 310 | 2192 | 826 | 875 | 928 | 983 | 1043 | 1105 | |
| Free Cash Flow | -5330.6 | -1000 | 306 | -309.6 | -1189.6 | 1075.4 | 1141.6 | 1209.8 | 1283 | 1358.8 | 1441.4 |
| Free Cash Flow (with Terminal Value) | -5330.6 | -1000 | 306 | -309.6 | -1189.6 | 1075.4 | 1141.6 | 1209.8 | 1283 | 1358.8 | 24744.0333 |
| NPV (8.4%) | -5330.6 | 917.432 | 257.554 | 219.328 | 773.158 | 641.225 | 624.494 | 607.157 | 590.728 | 573.971 | 558.589850 |
| IRR | -0.02674768% | | | | | | | | | | |
| IRR (with Terminal Value) | 18% | | | | | | | | | | |
| Payback Analysis Project B | | | | | | | | | | | |
| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Cash Flow | -5330.6 | -1000 | 306 | -309.6 | -1189.6 | 1075.4 | 1141.6 | 1209.8 | 1283 | 1358.8 | 1441.4 |
| Cumulative Cashflow | -5330.6 | -6330.6 | -6024.6 | -6334.2 | -7523.8 | -6448.4 | -5306.8 | -4097 | -2814 | -1455.2 | -13.8 |
| Payback Period | The Payback Period is going to be on 2021, 11 years after initial investment | | | | | | | | | | x |