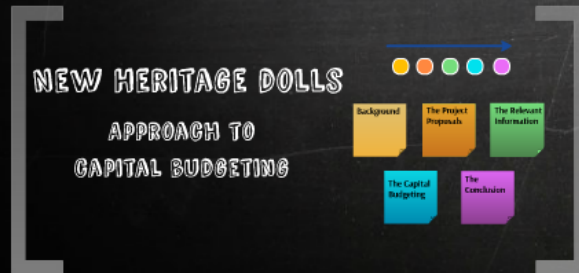


NOTE ON BUDGETING

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

CAPITAL BUDGETING

TheCaseSolutions.com



The Proposals
TheCaseSolutions.com

Closing
Start of the presentation. Thank the audience for attending and discuss an easy way to contact you.

The Relevant Information
Use relevant information through:
- Net Present Value
- Internal Rate of Return
- Payback Period
TheCaseSolutions.com

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 company's innovative product lines and drive future growth".

By 2015 New Heritage had:

- 60 Employees
- \$16 million of revenue
- \$2 million of operating profit

Analysis of Sensitivity
We have developed the following spreadsheet to analyze all the relevant factors that affect the NPV of the project. The spreadsheet will allow us to perform sensitivity analysis on the key variables of the project.

The Capital Budgeting

A	NPV	IRR
B	NPV	IRR

Thecasesolution.com

NOTE ON BUDGETING

CAPITAL BUDGETING

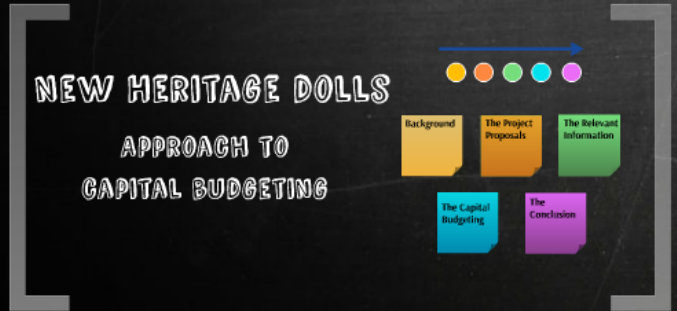
By: Erick F.
P. Nandi W.S.
Sri Junita I.
Tommy H.
Roy S.

TheCaseSolutions.com

NOTE ON BUDGETING

CAPITAL BUDGETING

TheCaseSolutions.com



The Proposals
TheCaseSolutions.com

Part 3 of the Case Study
The Project Proposals

Project A: New Doll
Project B: New Doll

Closing

Thank all of the stakeholders, thank the jury, thank the community and teachers and always welcome!

The Relevant Information

We summarize the information through:

- NPV Present Value
- Internal Rate of Return
- Highest Profit

TheCaseSolutions.com

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

Analysis of Sensitivity

We show the impact of the following variables:

- High NPV, High IRR, Short payback period
- Lower NPV, Lower IRR, Longer payback period
- NPV of the project is the highest, we select the most profitable project

Thanks to these steps 14, 15, 16 & 17 for the dolls.

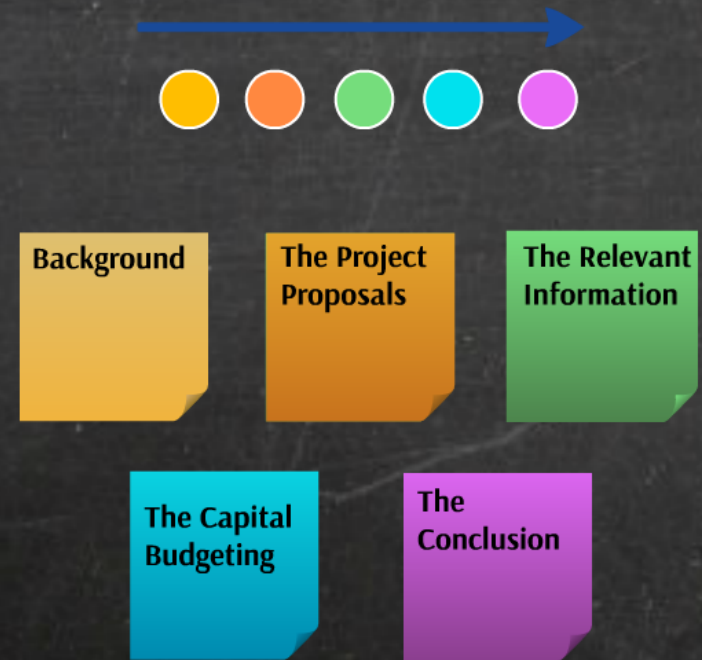
The Capital Budgeting

A

B

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	2021
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	883
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	361	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	2021
Cash Flow	-3020	-557	169	682	540	583	631	680	735	793	857	883
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	2021
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	1484.64
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	3
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%	19	078	45	38	883	294	825	841	804	5	
IRR (with Terminal Value)	18%											
Payback Analysis Project B												
Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Cash Flow	-5330.6	-1000	306	-309.6	-1189.6	1075.4	1141.6	1209.8	1283	1358.8	1441.4	1484.64
Cumulative Cashflow	-5330.6	-6330.6	-6024.6	-6334.2	-7523.8	-6448.4	-5306.8	-4097	-2814	-1455.2	-13.8	1470.84
Payback Period	The Payback Period is going to be on 2021, 11 years after initial investment										X	