

Sample After Tax Profitability Analysis

Items in blue are cash flows

Installed capital =	5,000	\$ in year 0	and	5000	\$ in year 2
depreciation =	20	%/year	(straight line depreciation)		
depreciation life=	5	years			
salvage value =	0	\$			
tax rate =	35	% of taxable income			
interest rate (i) =	10	% used to calculate the present value)			
Annual revenues =	3000	\$/year			
Annual expenses =	500	\$/year			

These are **not** cash flows, but they influence the tax payment

n period (year)	0	1	2	3	4	5	6	7	8	9	10
A Revenues	0	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000
B Expenditures (Eligible)	0	-500	-500	-500	-500	-500	-500	-500	-500	-500	-500
C Investment 1 (year 0)											
D depreciation (\$)	0	-500	-1000	-1000	-1000	-1000	-500	0	0	0	0
D book value (\$)	5,000	4,500	3,500	2,500	1,500	500	0	0	0	0	0
E Investment 2 (year 2)											
F depreciation (\$)	0	0	0	-500	-1000	-1000	-1000	-1000	-500	0	0
F book value (\$)	0	0	5000	4500	3500	2500	1500	500	0	0	0
G Total depreciation	0	-500	-1000	-1500	-2000	-2000	-1500	-1000	-500	0	0
H Taxable income	0	2000	1500	1000	500	500	1000	1500	2000	2500	2500
J Tax payment	0	-700	-525	-350	-175	-175	-350	-525	-700	-875	-875
K Capital investment	-5,000	0	-5000	0	0	0	0	0	0	0	0
L NCFAT	-5,000	1,800	-3,025	2,150	2,325	2,325	2,150	1,975	1,800	1,625	1,625
M Present value	-5000	1636.364	-2500	1615.327	1588.0063	1443.642	1213.619	1013.48728	839.7133	689.1586	626.5078
M NPV after Tax	3165.825										

Note: interest rate and tax rate values may not be typical
 Note: Equipment placed in service in year after installed
 Note: 50% rule applied to depreciation in first year in service

Profitability analysis

NPV (no taxes) = \$6229