ISSN 2222-2944. Інформаційні технології: наука, техніка, технологія, освіта, здоров‘я. 2018. Ч. III.

INVESTMENT PROJECT EVALUATION METHODS OVERVIEW

Shyriaieva Natalia, Bilal Hussain
National Technical University «Kharkov Polytechnic Institute», Kharkiv

Evaluation of investment project is very vital part of any project undertaken by firm. Aim is to determine the project's efficiency, effectiveness, development and sustainability. Various methods and techniques can be used to determine projects progress and evaluate either project is worth considering.

Careful consideration should be given before commencing the evaluation of project as there are many methods can be used but results might differ from each other, So it is important to understand the reason of evaluation before commencing and how the process should be designed and what outcomes are expected.

Most common methods are;

1) Net Present Value (NPV). This technique focus on the difference between the present value of cash inflows and cash outflows over the length of project. This method highlights the profitability of investment project.

$$NPV = \sum_{t=1}^{n} \frac{CF_t}{(1+r)^t} - 1$$

where Ct - net cash inflow during the period t; Co - total initial investment costs; r - discount rate, and t - number of time periods.

2) Internal Rate of Return (IRR). This method gives the return on the investment only focus on internal factors and ignore any external factors like inflation and cost of capital.

Various other methods are;

3) Payback period

4) Return on Investment (ROI)

5) Profitability Index

Project will highlight above techniques to access the best outcome and focus will be given on the different results obtained from different methods. Then decision will be derived either project is worth doing.

References:

1. Net Present Value (NPV) Definition / Investopedia
2. https://www.investopedia.com/terms/n/npv.asp#ixzz59vwlVDhx
3. https://en.wikipedia.org/wiki/Evaluation