Determining a profitable investment

Finance

Determining a profitable investment To determine a profitable investment, it is necessary to have a venture strategy, skill in both required and technological analysis, and time. Even though, stock tips are a way to finding profitable investments wise entrepreneurs will want to be able to confirm with necessary analysis and technical analysis when picking stocking from even the most consistent sources. Using scientific psychiatry tools such as Candlestick outline configurations, an entrepreneur can look forward to market reverse and market trends before they happen. In long term investment, one inquires about stocks with long periods of profit potential (Jacques 2008). On the other hand, long term investing can be much more useful when the entrepreneur uses Candlestick examination to purchase stock at the most beneficial cost and set up for sale of stock at the finest price when a marketplace rally has run its course.

Investment approaches employed by the entrepreneurs will depend upon the investment goals. If an investor is looking forward to a short term profit investment he should pick different stocks as compared to when he is looking to establish a balanced stock portfolio with the idea of retirement in mind. In realizing a potential useful investment, the entrepreneur must eternity balance risk management as a single risk. In additions, he/she can pose a significant threat to harmonizing a stock portfolio with hoard picks and chooses from a variety of market segments, and technological stock analysis with candlestick outlines to maximize profits. The entrepreneur will evaluate the risks available and make a choice on the stages of risk he is willing to sustain in finding profitable ventures. Many of the times superior profit potential bears higher risks. The long term entrepreneurs and the day to day traders, usually have a limit to the level of his risk by close attention to business sentiment using candlestick chart analysis.

Entrepreneurs use methodological scrutiny to evaluate the market sentiment. Majority of cases are the primary drive are eventual stock price are set in consideration into account by the market very fast. Since the prices in markets tend to replicate themselves, identifying a profitable investment is achievable in understanding the market reaction to changes in essentials. No matter how well versed the entrepreneur is in the in evaluating the essentials of stock, through the use of technical analysis with candlestick pattern configurations will most usually help the entrepreneur to be able to buy and sell stocks at the most optimal prices.

Ascertaining your personal financial state of affairs and the set investment goals and objectives is the first task in constructing a portfolio. The significant issues to consider are age; this means the available time u have to develop the venture, the amount of capital to invest is also very essential when establishing a profitable business venture. The decisions made by a single college graduate just beginning his or her career will greatly differ from the decisions made by a 55-year-old married individual expecting to assist pay for a childs college education and plans to stop working soon in business ventures.

Another issue to consider when establishing a profitable business idea is the personality and risk tolerance of the entrepreneur. Every investor would wish to reap high returns year after the financial period, in the event that the entrepreneurs are not able to achieve the goals then he becomes sleepless at night.

The current situation of the investor and the expected future needs for capital, as well as the risk tolerance level of the entrepreneur, will greatly determine how the investments should be billed in comparison to other different assets classes. The likelihood of higher returns comes at the expense of higher risk of losses and return tradeoff the investor does not want to eliminate the risk so much as optimize it for the exclusive condition and style.

1. Assume that the before-tax required rate of return for Deer Valley is 14%. Compute the before-tax NPV of the new lift and advise the managers of Deer Valley about whether adding the lift will be a profitable investment. Show calculations to support your answer.

NPV= A(1+i)-n-PV of outflow

Initial cash investment= 15m

Running cost= 500000

Economic life= 20yrs

Output= 22000000

Rate of return= 14%

NPV=[22000000(1. 14)-1+22000000(1. 14)-2+22000000(1. 14)-3+22000000(1. 14)-4+22000000(1. 14)-5+22000000(1. 14)-6+22000000(1. 14)-7+22000000(1. 14)-8+22000000(1. 14)-9+22000000(1. 14)-10+22000000(1. 14)-11+22000000(1. 14)-12+22000000(1. 14)-13+22000000(1. 14)-14+22000000(1. 14)-15+22000000(1. 14)-16+22000000(1. 14)-17+22000000(1. 14)-18+22000000(1. 14)-19+22000000(1. 14)-20]-15000000

NPV= 130, 708, 872. 1

2. Assume that the after-tax required rate of return for Deer Valley is 8%, the income tax rate is 40%, and the MACRS recovery period is 10 years. Compute the after-tax NPV of the new lift and advise the managers of Deer

Valley about whether adding the lift will be a profitable investment. Show calculations to support your answer.

NPV= A(1+i)-n-PV of outflow

Initial cash investment= 15m

Running cost= 500000

Economic life= 20yrs

Output= 22000000*40/100

= 8800000

Rate of return= 8%

Income tax rate= 40%

= 40/100

= 0. 4

NPV=[8800000(1. 08)-1+8800000(1. 08)-2+8800000(1. 08)-3+8800000(1. 08)-4+8800000(1. 08)-5+8800000(1. 08)-6+8800000(1. 08)-7+8800000(1. 08)-8+8800000(1. 08)-9+8800000(1. 08)-10+8800000(1. 08)-11+8800000(1. 08)-12+8800000(1. 08)-13+8800000(1. 08)-14+8800000(1. 08)-15+8800000(1. 08)-16+8800000(1. 08)-17+8800000(1. 08)-18+8800000(1. 08)-19+8800000(1. 08)-20]-15000000

NPV= 71, 399, 697. 19

Adding the lift will be profitable

3. What subjective factors would affect the investment decision?

There are different subjective factors that will affect the investment decision. In this case there is the ability to take risk. This will determine if the investor will invest if he is able to take risk. Also there is the factor of what the investor has to lose. If he has a lot on the line, it is advisable for him not to invest. The other factor is the investor personal preference. This will determine if he is willing to invest or not.

Reference

Jacques, R., (2008). Calculator investment tool, Retrieved on; 7 October 2008.