

Business plan - (investment)

[Business](#)



Business Plan - (Investment) Investment operations can only be conducted after thorough analysis which promises safety of investment along with high return. Usually from the cash flow the cash for investing, operating and financing activities is prepared. Investments are either in shares or in bonds. Investment in shares is risky but it generates high profit while investments in bonds are safe but it generates less profits. “ It is most important to analyze the cash flow statements of a business before making investment. Cash flow statements of a company show how well the company has planned and managed all their expenditures and collections” (Blogger 2010). Investments are usually done from the closing balance of cash flows and not from the surplus or deficit that is incurred in the financial year. In this firm three scenarios are given and the cash flow results of two financial years are given on the basis of which investments are prepared.

From the cash flows of the year 2011 – 2012 (Worst case scenario)

Investment for the period 2011- 2012 – worst case scenario

In the financial period 2011-2012 the cash flow on the closing balance is 1, 750, 766 only.

Therefore the investment choice is in shares and bonds.

100000 shares @ 10

1, 000, 000

750000 in bonds

750, 000

Total

1, 750, 000

Investment for the period 2012–2013 worst case scenario:

In the financial period 2012-2013 the cash flow on the closing balance is 2,

<https://assignbuster.com/business-plan-investment/>

489, 948 only.

Therefore the investment choice is in shares and bonds.

200000 shares @ 10

2, 000, 000

480000 in bonds

4, 80, 000

Total

2, 480, 000

From the cash flows of the year 2011 – 2012 (Mean Case Scenario)

In the financial period 2011-2012 the cash flow on the closing balance is 2, 335, 766 only.

Therefore the investment choice is in shares and bonds.

200000 shares @ 10

2, 000, 000

335000 in bonds

335, 000

Total

2, 335, 000

From the cash flows of the year 2012 – 2013 (Mean Case Scenario)

In the financial period 2012 – 2013 the cash flow on the closing balance is 9, 119, 948. Therefore the investment choice is in shares and bonds

900000 shares @ 10

9000000

119, 948 in bonds

119, 948

Total

<https://assignbuster.com/business-plan-investment/>

9, 119, 948

From the cash flows of the year 2011 – 2012 (Best Case Scenario)

In the financial period 2011 – 2012 the cash flow on the closing balance is 2, 500. 766.

Therefore the investment choice is in shares and bonds

200 shares @ 10

2000

500. 766 in bonds

500. 766

Total

2500. 766

From the cash flows of the year 2013 – 2014 (best case scenario)

In the financial period 2013 – 2014 the cash flow on the closing balance is. 17234. 948.

Therefore the investment choice is in shares and bonds

1000 shares @ 10

10000

7234. 948 in bonds

7234. 948.

Total

17234. 948

The items on the cash flow statement that information the collective transform in an organization's cash situation resulting from any profits or losses from savings in the operating subsidiaries and financial markets, and changes ensuing from values spent on savings in capital assets for instance plant and equipment. Cash Flow statements have most fundamental

<https://assignbuster.com/business-plan-investment/>

information's for depositor's who are examining the financial report of the organization with savings objectives.

Reference List

Cash Flow Statements Analysis for Investment Objectives. 2010. Investment Blogger. [Online] Available at < <http://www.getmoneyrich.com/cash-flow-statements-analysis-for-investment-objectives/>> [Accessed 29 Nov. 2011].