

Pine Valley Furniture.



Methods of identifying and selecting market project

Methods

- ▶ Payback period- It is the time take to recover the initial capital invested in the project.
- ▶ Discounted cash flow- is the method used to estimate an investment's value based on its anticipated future cash flows
- ▶ Opportunity cost- this is the value of a foregone activity when another one is chosen
- ▶ Scoring method- the committee lists the relevant issues, weighs them according to their importance and priorities.

Characteristics of the methods

Payback period	✓ simple calculation of time for the initial investment to return ✓ It ignores the time value of money. ✓ Used in combination with other techniques of capital budgeting.
Discounted cash flow	✓ Estimates future cash flow ✓ Tells the intrinsic value of the investment
Opportunity cost	✓ Evaluation of all the opportunities ✓ Maximizing the returns ✓ Identify where to allocate resources
Scoring method	✓ All opportunities are listed and weighed ✓ The opportunity with high score is chosen

Strengths and weaknesses of the methods

Method	strengths	weaknesses
Payback period	• Is based on the principle of liquidity • Is simple to understand and use	• Does not account for the time value of money • Does not account the cash flows post the return of investment.
Discounted cash flow	• helps determine the value of an investment based on its future cash flows. • no need to look for peers for comparison.	• requires making many assumptions • future cash flows of a project cannot be reasonably estimated
Opportunity cost	• Evaluates all the options • Helps identify where	• Future events are difficult to quantify • Often overlooked

Valuation criteria

- Value Chain Analysis - The degree to which activities in the production of goods and/or services add value and cost.
- Strategic Alignment-The degree to which the project is seen as helping the business achieve its strategic goals
- Potential Benefits-The extent to which the project is seen as profit improvement, customer service, and fourth
- Resource Availability- The sum and nature of services needed by the project and their accessibility.
- Project Size- the number of employees required
- Duration- period to complete the project
- Technical Difficulty- The level of complexity in completing the project successfully within the specified time and resources.

Project ranking

- ▶ Home office furniture
- ▶ Corporate furniture
- ▶ Students furniture

Project initiation

- During this point, major decisions are taken that decide the course and resource requirements, such as the project charter and the selection of stakeholders. In terms of how the project can progress, the stakeholders have a strong goal of ensuring that everybody remains on the same page.
- Before and after the implementation, there will be several checks to avoid miscommunication and to ensure that the project remains on track throughout its path. Nevertheless, valuable time and money may be lost, which is undesirable.
- Efficient project management requires you to optimize advantages and minimize costs while supplying the client with 'value.' Having a specific target allows you to accomplish all this.

planning process

- ❖ The process of identifying your priorities and scope, your goals and milestones (deliverables), and assigning tasks and budgetary resources for each phase is project planning. A good strategy is quickly discussed with all involved, and when it is revisited frequently, it is most helpful. A good formula for wasted time and money is clearly outlining a strategy and never discussing it with your team again.

References

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