

Contents

Preface	ix
Part I The Basic Framework	1
1 Introduction	3
2 The Different Phases of a Project	6
An overview of the project cycle	6
The project concept and the examination of the plausibility	7
Feasibility studies	8
Implementation of a project	11
Operating phase	11
Ex-post evaluation	12
3 Procurement of Data	13
Information concerning the technical analysis	13
Information concerning the market analysis	15
Forecasting methods	16

Part II Financial Analysis	17
1 The Connections between the Planning Steps	19
The planning process of the financial analysis	19
Entrepreneurial objectives	21
Cash flow analysis as the basis for financial decisions	22
Liquidity - a binding constraint of financial targets	24
Preparation of data for the investment appraisal	25
2 Performance, Costs and Related Terms	27
Performance, earnings and inpayments	27
The direct and indirect significance of expenses and costs for cash flow analysis	28
Types of expenses, expenditures and costs	29
The relationship between costs and capacity	32
Calculation of working capital	33
The case study	39
3 From Liquidity Planning to the Balance Sheet	47
Provisional liquidity planning based on turnover and input estimations	47
Sources of finance	48
The income statement	51
Final liquidity planning	52
Application in the case study: financial planning	54
Projected balance sheet	59
Application in the case study: balance sheet	61
4 Investment Appraisal	64
Liquidity planning and investment appraisal	64
Criteria of investment appraisal	65
Inflation in the investment appraisal calculation	70
Application in the case study: investment appraisal	82
Uncertainty in the investment appraisal	87
Application in the case study: uncertainty (break-even analysis)	94
The results of the financial analysis	97
Application in the case study: presentation of results	98

Part III Economic Analysis	101
1 Introduction to Economic Analysis	103
Financial analysis versus economic analysis	103
The necessity for an economic analysis	107
Principles of project valuation	116
2 Project Selection Criteria	119
The formulation of an economic target for the whole economy	119
Concrete formulation of a criterion for the net benefit	120
General criteria for the economic benefit	122
Additional criteria for the economic benefit	126
3 Stepwise Economic Valuation	128
Breaking down of the valuation procedure into separate steps	128
Compilation and preparation of the data: Step 1	130
Internal financial flows: Step 2	138
Externalities: Step 3	144
The shadow price of labour: Step 4	148
The shadow prices of international tradable goods: Step 5	155
The shadow price of national goods: Step 6	166
The shadow price of foreign exchange: Step 7	175
The shadow price of capital: Step 8	191
Income distribution: Step 9	201
Socio-political considerations: Step 10	207
Presentation of the results	210
 Part IV Annexes	 219
1 Tables	221
2 Notes	228
3 Bibliography	242
4 Index	249

Contents of the case study

Financial analysis:

The case study: general information	39
Financial planning	54
Balance sheet preparation	61
Investment appraisal	82
Break-even analysis	94
Presentation of results	98

Economic analysis:

Compilation and preparation of data	131
Transfers	139
External effects	145
Shadow price of labour	150
Shadow price of international goods	161
Shadow price of national goods	171
Shadow price of foreign exchange	185
Shadow price of capital	197
Distributional aspects	206
Socio-political aspects	209
Presentation of the results	211