

Module 2

*Section F: Develop and Iterate Preliminary
Transformation Business Cases*

Term

Break-even analysis

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Break-even point

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Contribution margin

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Cost-volume-profit analysis

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Current ratio

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Discounted cash flow

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Economic value added (EVA)

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Net working capital

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The level of production or the volume of sales at which operations are neither profitable nor unprofitable; the intersection of the total revenue and total cost curves.

A study of the number of units or amount of time required to recoup an investment.

The study of how profits change with various levels of output and selling price.

An amount equal to the difference between sales revenue and variable costs.

A method of investment analysis in which future cash flows are converted or discounted to their value at the present time. The net present value of an item is estimated to be the sum of all discounted future cash flows.

Current assets divided by current liabilities.

The current assets of a firm minus its current liabilities.

In managerial accounting, the net operating profit earned above the cost of capital for a profit center.

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Payback period

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Residual income

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Return on investment (ROI)

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Time value of money

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The net operating income that an investment center earns above the minimum required return on its operating assets.

The period of time required for the stream of cash flows resulting from a project to equal the project's initial investment.

The cumulative effect of elapsed time on the money value of an event, based on the earning power of equivalent invested funds.

A relative measure of financial performance that provides a means for comparing various investments by calculating the profits returned during a specified time period.