

SMALL BUSINESS

NEWS & VIEWS

The Net Present Value Method

Last week we looked at the pay-back method of figuring which piece of new equipment is the "best buy" for your firm. This week we will review another method - the net present value method.

The net present value method solves the major problem we found in the payback technique. Net present value considers all of the operating savings to be generated, the timing of the savings flows and the return the firm can generate through reinvesting the savings.

Basically the net present value method discounts the future savings on a machine at the firm's current reinvestment rate. If the discounted savings are greater than the cost of the investment, then the investment should be made because the future cost to be received in terms of today's dollars is greater than the present dollars invested to acquire the machine. If the sum of the discounted dollars is less than the purchase price the purchase should not be made.

The following chart shows a comparison of the net present value for two machines. Machine A costs \$25,000 and Machine B costs \$30,000. The company is using a reinvestment rate of 10 percent. The present value figures can be selected from a table in a financial management book, or figured directly on a \$40 financial calculator.

Net Present Value Technique

Machine A		
Year	Cash Savings	Present Value of Cash Savings
1	\$12,000	\$10,909
2	10,000	8,264
3	6,000	4,507
4	1,000	683
5	-0-	-0-
6	-0-	-0-

Present Value of Savings \$24,363
 Less Cost (25,000)
 Net Value -\$ 637

"Dukes Of Hazzard"

After Bo Duke hits his head and gets a case of temporary amnesia, Boss Hogg takes advantage of the situation to adopt Bo as his son so he can make a financial killing by running moonshine on "The Dukes of Hazzard," Friday, January 30, at 9 p.m. on WBTB, Channel 3.

With bootleg whiskey going for 10 times its usual rate in nearby Chicasaw County, Boss Hogg sees himself losing all that money because no one will take the chance of transporting it into Sheriff Spike Little's territory. Bo's disability gives Hogg the perfect driver. But can he keep the rest of the Duke clan out of the way long enough for Bo to make the delivery?

Machine B		
Year	Cash Savings	Present Value of Cash Savings
1	\$3,000	\$2,727
2	5,000	4,132
3	7,000	5,259
4	10,000	6,830
5	12,000	7,451
6	12,000	6,773

Present Value of Savings \$33,172
 Less Cost (30,000)
 Net Present Value \$ 3,172

In this case Machine B is the better buy from this firm. Machine A should not be purchased because it does not generate a positive net present value in this analysis.

The advantage of this method is that it takes all basic assumptions into account: initial purchase price, the projected savings, the timing of the savings, and the firm's reinvestment rate. The disadvantage is that it does not compute the actual dollar return of your investment. Machine A would return less than 10 percent because it was negative, and Machine B would return greater than 10 percent.

There is an additional method that calculates the actual rate of return on your machine. This method is called the internal rate of return technique.

For additional information write this column at Economic Development Division, Center for Improving Mountain Living, Cullowhee, N.C. 28723 or call 704-227-7492.

Charlie Brown Gets

Some Really "Good Griefs", January 30

That little redheaded girl, who, over the years, has made Charlie Brown blue, caused his peanut-butter sandwich to stick in his throat in the schoolyard, been responsible for his going all sweaty-palmed and stupid at the classroom blackboard, miss the school bus, then spill his ice cream at parties, brings him more palpitations and "good grief" in "It's Your First Kiss, Charlie Brown," animated Peanuts special to be rebroadcast Friday, January 30, at 8 p.m. WBTB, Channel 3.

Smitten by a chronic case of puppy love that even Snoopy the Peanut beagle, could never cure, Charlie has led a dog's life as he has always failed in his attempts to convey his admiration for the titian-haired moppet. In "It's Your First Kiss, Charlie Brown," she poses a new challenge for him.

The little redheaded girl gets a name, Heather, in the special-and she also gets to make her first appearance.

Shop Post Food Ads

Martha Graham Dance Company

To Perform In Ovens Auditorium

Dance Charlotte will present the legendary Martha Graham Dance Company for one performance only Wednesday, February 18, at 8 p.m. in Ovens Auditorium.

Martha Graham Dance Company is the oldest major dance company in America. From a beginning of only 4 dancers and one single performance for a few hundred people, the company now numbers twenty-five and performs world-wide for hundreds of thousands of people. The company has toured the world on four State Department tours (1954, 1955, 1962 and 1974) and several shorter independent tours. Each time Miss Graham herself led the company to critical acclaim and popular adulation. In all, the company has performed in nearly 30 countries as well as in most of the American states.

Long considered theatre as well as dance, the Graham repertoire frequently deals with classical and mythological heroes and heroines as well as American themes. Ms. Graham's artistic philosophy is perhaps best summarized in her famous statement, "Acrobat of God" in which she characterized the physical and spiritual aspects of dancing. "...movement never lies. It is a barometer telling the

state of the soul's weather to all who can read it... Then there is the cultivation of being. It is through this that the legends of the soul's journey are retold with all their gaiety and their tragedy and the bitterness and sweetness of living."

Since her historic first concert in 1926 Martha Graham has not only created and codified a totally new dance language, but also has re-

For All Races

Stacy Lattisaw Learns

What King Accomplished

WASHINGTON, D.C. - Although she was only one year old when the late Rev. Dr. Martin Luther King was assassinated, Stacy Lattisaw has since learned what the famed civil rights leader had hoped to accomplish for people of all races.

Along with Stevie Wonder, Dick Gregory, Mayor Marion Barry and local politicians, the 14-year-old Cotillion record artist frontlined the march of 100,000 Blacks to the Washington Monument through rain, snow and sleet. There they heard Wonder dedicate his "Happy

volutionized lighting, costuming, stage design and musical accompaniment for dance.

Tickets for the Wednesday, February 18, performance are \$12.50 for all seating; students-senior

citizen special seating \$5.00 Tickets are available at the Spirit Square Box Office, all Coliseum Box Office Outlets or by calling 704-374-1619.

"Birthday" song to King and Barry and King's son, Martin Luther King III deliver stirring speeches.

In an interview at her home before she joined the march, Lattisaw said her father and mother had told her about the good works of King. In addition her bedroom is stocked with literature and books about King's life from Montgomery, Ala., where he first came into the public eye to his final days in Memphis, Tenn.

"I think he was a great man," she said.

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