Derive a weighted cost of the capital obtained from the various sources and use that discount rate to discount the cash flows from the project.

**Advantages:** Overcomes the requirement for debt capital finance to be earmarked to particular projects.

**Disadvantages:** Care must be exercised in the selection of the appropriate income stream. The net cash flow to total invested capital is the generally accepted choice.

- **Basic Financial Statement Ratio Analysis**

**Advantages:** Simplifies financial statements, helps in comparing different sized companies with each other, helps trend analysis (comparing a single company over a period), forecasting and planning, budgeting, measuring operating efficiency, indication of overall profitability, aid to decision making.

**Disadvantages:** Different accounting policies, because of estimates and assumptions comparability and ratios might be less useful, can affect quality of ratio analysis, and provides historical information.