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.