

## **METHODS OF DETERMINING THE ECONOMIC EFFECT**

**Zhang Yi, Ponomarov V.D., Savchenko O.I.**

***National Technical University «Kharkiv Polytechnic Institute», Kharkiv***

Determining the economic effect of a certain activity, project or investment is an important task in business management. This effect can be assessed using different methods depending on the nature of the activity and the assessment objectives. We have developed basic methods for determining the economic effect:

1. Net Present Income (NPV). NPV estimates the overall economic effect of a project by calculating the difference between the amount of discounted income (net income) and the amount of discounted costs (investment). This method uses a discount rate to convert future cash flows into present values.

2. Internal rate of return (IRR). IRR is the discount rate at which the project's NPV is zero. This method indicates the profitability of a project or investment and allows you to compare it with alternative options.

3. Return on investment (ROI). ROI is calculated as the ratio of return on investment to the cost of the investment itself. This method shows the effectiveness of investing capital in an activity or project.

4. Payback period. This method determines the time required to fully recover the investment through cash flows from the project. Projects with a shorter payback period are considered more attractive from an economic point of view.

5. Net income. This method evaluates the economic effect by comparing the net profit after taking into account all costs and taxes. Net income is a key indicator for evaluating the financial success of a project or activity.

6. Return on investment (ROI). This indicator determines the efficiency of investments, reflecting the ratio of profit from investments to their cost. ROI allows you to assess how effectively capital investments are used.

These methods can be used separately or combined for a comprehensive assessment of the economic effect. The choice of a specific method depends on the circumstances, assessment goals and characteristics of the researched activity or project.

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