Universal Swap is cryptocurrency exchange which uses a decentralized network

protocol. It is estimated to be the largest decentralized exchange and the fourth-largest

cryptocurrency exchange overall by daily trading volume. In order to further grow, Universal Swap has planned to create a new Liquidity pool “The Alternium” with new crypto coins to offer that user will be interested in. Access to the pool will be offered to both – existing users of its current platform and the new class of participants i.e., users who will only register themselves on the Alternium. Since it is a new business, it plans to offer a smaller fee for the transactions on this platform.

This project is made by using the available data by combining financial data into excel formulas.

**Depreciation: -**

* Firstly, the depreciation was calculated by using SLM (straight line method), where it was computed
* Depreciation: - Introductory Cost Minus Salvage Value / No of years.

**Revenue Calculation: -**

* Secondly, I have calculated revenue, for US & Russian participants with Alternium was calculated for next 10 years, where for the US participants was increased by 5% every year & for Russian participants was increased by 10%.
* Then, the individual participant fee was calculated for the next 10 years which increases at the rate of inflation rate of 1.5%.
* New pool service was offered only to international participants and it was anticipated that it will attract 5 million participants from year 1 with the growing rate of 8% for the following 9 years.
* Then Working capital was calculated by adding (accounts receivable + Inventory – accounts payable).
* This is how I calculated the total revenue.

**Expense Calculation: -**

* For calculation expenses, firstly the service price was calculated by multiplying total of US & Russian participants \* each participant’s price.
* Same way, I calculated for international participants by total international participants \* international participant price.
* G & A expense was 40 million$ which grows 10% every year for next 10 years.

Universal swap spent $500 million on advertising expenses which grows by 15% for next 10 years.

* Cost of servicing the participants of the alternium of the isolation plan is 60% of the cost to service the international participants
* This is how I calculated the total expense.

Question 1 was to find the after-tax incremental cashflow from the proposed Alternium pool to Universal Swap over the next 10 years.

|  |  |
| --- | --- |
| **Year** | X |
| **Sales** | XXX |
| **Less cost** | (XXX) |
| **Less working capital** | (XXX) |
| **Less tax** | (XXX) |
| **Add tax on depreciation** | XXX |
| **After-tax incremental cashflow** | XXX |

Question 2 was to find the net present value and the internal rate of return for the project,

**Net present value**: $ 3,87,01,55,244.11

**Internal rate of return**: 82%

Then it was told that if the new pool is expected to have a life much longer than 10 years, estimate the net present value and internal rate of return of the project.

Net present value: $ 3,50,56,97,505.77

Internal rate of return: 83%

As while comparing this project is will be profitable. After 10 years, we can say that the IRR of the project is 82%. Hence our estimation was correct. As per the assumption this project will be profitable in the coming year. And then assuming the same cashflows for a longer period of time

It has given an internal rate of return 83%. By this we can understand that participants will be interested in buying the new crypto coin – “Alternium”.