

FCFF

Free Cash Flow to the Firm

BOOK VERSION	MY VERSION
EBIT <ul style="list-style-type: none">- Cash Tax Payments+ Depreciation- CAPEX- Increases in NWC	EBIT <ul style="list-style-type: none">- Cash Tax Payments- Change in Net PP&E- Change in Current Assets+ Change in Current Liabilities

FCFE

Free Cash Flow to Equity

BOOK VERSION	MY VERSION
Net Income <ul style="list-style-type: none">+ Depreciation- CAPEX- Increases in NWC+ Increase in Long-term Debt	Net Income <ul style="list-style-type: none">- Change in Net PP&E- Change in Current Assets+ Change in Current Liabilities+ Change in Long-term Debt

Why change them?

- + Depreciation
- CAPEX

It's less confusing. Because you paid cash to buy gross PP&E (fixed assets), and you didn't pay cash for depreciation (it's just a concept, a non-cash expense). Since Gross PP&E - Depreciation is Net PP&E, then making Net PP&E negative tells you what is happening to cash.

- Change in Net PP&E

- Increases in NWC

We had to learn how to do almost this exact thing in CFO, so my version makes way more sense to me.

- Change in Current Assets
- + Change in Current Liabilities

- Increases in Long-term Debt

The original may be fine, but what if you paid off some long-term debt and it gives you a negative number? You can't use "increases" then. So I used "change" instead

- + Change in Long-term Debt