

**Average Rate of Return**

Advantages:

- Easy to calculate
- Considers accounting income (often used to evaluate managers)

Disadvantages:

- Ignores cash flows
- Ignores the time value of money

**Cash Payback**

Advantages:

- Considers cash flows
- Shows when funds are available for reinvestment

Disadvantages:

- Ignores profitability (accounting income)
- Ignores cash flows after the payback period