MacKinlay

FNCE 100

Solution for Practice Capital Budgeting Problem

Cost (t=0) -4

r = 11%

	Book Val	Net Op Rev	nor a/t (1)	Depn Exp	dep ts (2)	total cf a/t (1+2)	PV total
year	4						
1	3.200	1.300	0.845	0.800	0.280	1.125	1.014
2	1.920	1.300	0.845	1.280	0.448	1.293	1.049
3	1.152	1.300	0.845	0.768	0.269	1.114	0.814
4	0.691	1.300	0.845	0.461	0.161	1.006	0.663

SV	2.000			3.540
BV	0.691			
Tx Gain	1.309		CF+SV	4.556
tx	0.458			
SV a/t	1.542		NPV	0.556
PV	1.016			

Since NPV>0 accept project