Net Present Value (NPV) method is one of the most important methods which is used to make capital budgeting decisions by almost every company. NPV method is important because it helps financial managers to maximize shareholders’ wealth by making better capital budgeting decisions.

Suppose Micron Technology (NasdaqGS: [MU](http://www.reuters.com/finance/stocks/overview?symbol=MU.O) - <http://ca.finance.yahoo.com/q?s=MU&ql=0>) is considering a new project that will cost $3,219,000 (initial cash outflow). The company has provided the following cash flow figures to you:

|  |  |
| --- | --- |
| **Year** | **Cash Flow** |
| 0 | -$3,219,000 |
| 1 | 350,000 |
| 2 | 939,000 |
| 3 | 1,122,000 |
| 4 | 500,000 |
| 5 | 900,000 |