Letterman Hospital expects Project A and B to generate the following cash flows:

Givens (in thousands) years 0 1 2 3 4 5

1 Initial investment 0($2,500)  
2 Net operating cash flows for project A 1$1,800 2$1,600 3$900 4$400 5$200  
3 Net operating cash flows for project B 1$200 2$400 3$900 4$1,600 5$1,800  
4 Discount rate for Part a 15%  
5 Discount rate for Part b 5%  
  
a. Determine the NPV for both projects using a cost of capital of 15 percent  
b. Determine the NPV for both projects using a cost of capital of 5 percent.  
c. At a 5 percent cost of capital, which project should be accepted? At a 15 percent cost of capital, which project should be accepted? Explain

Goodbar Practice expects projects 1 and 2 to generate the following cash flows:  
  
Project 1 (in thousands) years 0 1 2 3 4 5  
Givens 0 ( $2,000)  
Net operating cash flows 1$200 2 $300 3 $500 4$1,000 5$1,790  
  
Project 2 (in thousands)  
Givens 0($3,800)  
Net operating cash flows 1$1,000 2$1,000 3$1,000 4$1,000 5$1,000  
  
a. Determine the payback for the both projects.  
b. Determine the IRR.  
c. Determine the NPV at a cost of capital of 12 percent.