

FIN500 - Critical Thinking - Module 7

1. (*Payback period, NPV, PI, and IRR calculations*) You are considering a project with an initial cash outlay of \$80,000 and expected free cash flows of \$20,000 at the end of each year for 6 years. The required rate of return for this project is 10 percent.

- a. What is the project's payback period?
- b. What is the project's *NPV*?
- c. What is the project's *PI*?
- d. What is the project's *IRR*?