**Exercise 8-12 Uncertain Cash Flows**

The Cambro Foundation, a nonprofit organization, is planning to invest $104,950 in a project that will last for three years, The project will produce net cash inflows as follows:

Year 1………….. $30,000

Year 2………… $40,000

Year 3………….. ?

**Required:**

Assuming that the project will yield exactly a 12% rate of return, what is the expected net cash inflow for year 3?

**PROBLEM 8-23 Comprehensive Problem**

Lou Barlow, a divisional manager for Sage Company, has an opportunity to manufacture and sell one of two new products for a five-year period. His annual pay raises are determined by his division’s return on investment (ROI), which has exceeded 18% each of the last three years. He has computed the cost and revenue estimates for each product as follows:

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The company’s discount rate is 16%.

**Required:**

1. Calculate the payback period for each product.
2. Calculate the net present value for each product.
3. Calculate the internal rate of return for each product.
4. Calculate the project profitability index for each product.
5. Calculate the simple rate of return for each product.
6. Which of the two products should Lou’s division pursue? Why?

**Please show work for all solutions on Exercise 8-12 and PROBLEM 8-23.**