The Bingo Corporation is in the process of determining which of the following two projects that they may invest in.  The details are provided below:

|  |  |  |
| --- | --- | --- |
| **Project** | **A** | **B** |
| Cost of Capital | 12% | 12% |
| Life of project      | 20 years | 20 years |
| Annual cash flow | $350,000 | $400,000 |
| Initial cost | $1,250,000 | $1,400,000 |
| Salvage Value | $250,000 | $110,000 |

a.  What is the payback period?

b.  What is the net present value of the two projects?

c.  What is the Internal rate of return of the two projects?

d.  What is the profitability index?

e.  Which of the two projects would you choose and which criteria would you use?