Gavin and Alex, baseball consultants, are in need of a microcomputer network for their staff. They have received three proposals, with related facts as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Proposal A | Proposal B | Proposal C |
| Initial investment in equipment | $90,000 | $90,000 | $90,000 |
| Annual cash increase in operations: |  |  |  |
| Year 1 | 80,000 | 45,000 | 90,000 |
| Year 2 | 10,000 | 45,000 | 0 |
| Year 3 | 45,000 | 45,000 | 0 |
| Salvage value | 0 | 0 | 0 |
| Estimated life | 3 yrs | 3 yrs | 1 yr |

The company uses straight-line depreciation for all capital assets.

Question 1: Compute the payback period, net present value, and accrual accounting rate of return with initial investment, for each proposal. Use a required rate of return of 14%

Question 2: Rank each proposal 1, 2, and 3 using each method separately. Which proposal is best? Why?