Please show all work for all questions.

3. Cost of plant $100 million up front. Profits of $30million at the end of every year.

Calculate the NPV if the cost of capital is 8%. Should you take the investment? Calculate the IRR and use it to determine the maximum deviation allowable in the cost of capital estimate to leave the decision unchanged.

13. Upfront costs $5 million. Profits expected $1million for 10 yrs. The company will provide support expected to cost $100,000/year in perpetuity. Assume all profits and expenses occur at end of yr.

What is the NPV if cost of capital is 6%? Should firm take project? Repeat for discount rates of 2% and 12%.

How many IRRs does this investment opportunity have?

Can the IRR rule be used to evaluate this investment? Explain

24. Please choose between 2 projects:

Year end Cash Flow ($thousands)

Project 0 1 2 IRR

Playhouse -30 15 20 10.4%

Fort -80 39 52 8.6%

You can undertake only one project. If your cost of capital is 8% use the incremental IRR rule to make the correct decision.