|  |  |
| --- | --- |
| **1a.** | Minden Company’s required rate of return is 15%. The company can purchase a new machine at a cost of $40,350. The new machine would generate cash inflows of $15,000 per year and have a four-year life with no salvage value. Compute the machine’s net present value. **(Negative amount should be indicated by a minus sign. Round discount factor(s) to 3 decimal places, intermediate and final answers to the nearest dollar amount. Omit the "$" sign in your response.)** |

|  |  |
| --- | --- |
| Net present value | $ |

|  |  |
| --- | --- |
| **1b.** | Is the machine an acceptable investment? |
|  |  |
|  | |  |  | | --- | --- | |  | Yes | |  | No | |

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|  |  |
| --- | --- |
| **2.** | Leven Products, Inc., is investigating the purchase of a new grinding machine that has a projected life of 15 years. It is estimated that the machine will save $20,000 per year in cash operating costs. What is the machine’s internal rate of return if it costs $111,500 new? **(Round discount factor(s) to 3 decimal places and final answer to the closest interest rate. Omit the "%" sign in your response.)** |

|  |  |
| --- | --- |
| Internal rate of return | % |

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|  |  |
| --- | --- |
| **3a.** | Sunset Press has just purchased a new trimming machine that cost $14,125. The machine is expected to save $2,500 per year in cash operating costs and to have a 10-year life. Compute the machine’s internal rate of return. **(Round discount factor(s) to 3 decimal places and final answer to the closest interest rate. Omit the "%" sign in your response.)** |

|  |  |
| --- | --- |
| Internal rate of return | % |

|  |  |
| --- | --- |
| **3b.** | If the company’s required rate of return is 16%, did it make a wise investment? |
|  |  |
|  | |  |  | | --- | --- | |  | Yes | |  | No | |