1. - Colgate Distributing Company has the option to provide to its sales representatives a car or reimburse them the mileage for the use of its own cars. If the company provides the car, it will pay all the expenses related to it, including gas for business travels. The estimations are as follow:

Car cost $15,000

Estimated Lifetime 4 years

Depreciation: Straight line over a period of four years (assuming that there is no surrender value)

Estimated car sale value at the end of four years: $2,500

Annual operation estimated cost:

Gas $900

License and Insurance $600

Parking $300

Maintenance

Year 1 $250

Year 2 $350

Year 3 $450

Year 4 $600

If sales representatives use their own cars, the company will reimburse them $0.35 cents per mile, company estimates that each representative will drive 18,000 miles per year in business travels. The company cost of capital is 10%, and the rate income tax is 40%. Should the company acquire cars for its sales representatives or should the company reimburse for mileage traveled? Use the NPV method in your calculations.