FinC 410-PH3 (IP)

IN 800 words please help on this task:

Strategic decision makers are required to be able to evaluate projects based on the long-term objectives of the firm as well as the project’s ability to earn the company additional compensation. The 3 main tools used to make this evaluation are the pay-back period, net present value (NPV), and internal rate of return (IRR).

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| --- | --- | --- | --- |
| **Year** | **Project #1** | **Project #2** | **Project #3** |
| 0 | ($30,000) | ($32,000) | ($35,000) |
| 1 | $11,000 | $15,000 | $11,000 |
| 2 | $11,000 | $14,000 | $11,000 |
| 3 | $11,000 | $11,000 | $11,000 |
| 4 | $11,000 | $2,000 | $11,000 |
| 5 | $11,000 | $500 | $11,000 |

|  |  |
| --- | --- |
| **Scenario** | **NPV Rate** |
| 1 | 5% |
| 2 | 5.5% |
| 3 | 6% |

Using the data in the tables above, answer the following questions:

* Calculate the NPV for each project using each scenario's NPV rate. Show your work.
* Calculate the pay-back period for each project. Show your work.
* Calculate the IRR for each project. Show your work.
* Which project would the company select using the NPV method in scenario 1? Explain your answer.
* Which project would the company select using the NPV method in scenario 2? Explain your answer.
* Which project would the company select using the NPV method in scenario 3? Explain your answer.
* Which project would the company select using the pay-back period? Explain your answer.
* Which project would the company select using the IRR method? Explain your answer.