

Economics of risk and problems assignment



The CEO of the company is considering two potential options for the size of the plant: one is a large size with a projected annual production of 150,000 cars, and the other one is a smaller size plant, which is cheaper to build, but can only produce up to 80,000 cars per year. Depending on the expected level of demand for these cars in the US, Volkswagen has to decide which option is more profitable. The discount rate is 6% and for simplicity purposes, the CEO is only evaluating a two-year horizon. The initial factory setup cost, the expected demand scenarios, profit, and probabilities are shown in the below table.

Calculate the Net Present Value in each of the two options. Which option should the CEO choose and why? Please, show all your calculations. Business - General Business Economics of Risk and Uncertainty Applied Problems.

Please, complete the following 3 applied problems in a Word or Excel document. Show all your calculations and explain your results. Submit your assignment in the drop box by using the Assignment Submission button. 1 .

A generous university benefactor has agreed to donate a large amount of money for student scholarships. The money can be provided in one lump-sum of \$10 million, or in parts, where \$5 million can be provided in year 1, and another \$5 million can be provided in year 2. Assuming the opportunity cost of money is 6%, which option is better? Explain your answer.

Find needed answers here - [HTTPS://bitty.com/](https://bitty.com/) JNl Cd Select difficult classes that will stimulate your interest instead of conventionally easy classes. Challenge yourself and you will reap the rewards. You'll be able to learn a lot more and this can help you create a network of people that can assist you later on when you're seeking out a career. Business - General

Business sum of \$mall, or in parts, where 35. Mil can be provided in year 1, and another \$5. Mil can be provided in year 2.

Assuming the opportunity interest rate is 6%, what is the present value of the second alternative? Which of the two alternatives should be chosen and why? How would your decision change if the opportunity interest rate was 12%? Please, show all your calculations. 2. Volkswagen is considering opening an Assembly Plant in Chattanooga, 3. An angel investor is considering investing in one of two start-up businesses and is evaluating the expected returns along with the risk of each option in order to choose the better alternative. Business 1 is an innovative protein energy dry..