

# Net present value and discount rate assignment

[Business](#)



chapter 8 Student:

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1. What is the net present value of a project with the following cash flows if the discount rate is 14 percent? [pic] A. -\$3, 140. 43 B. -\$929. 90 C. \$247. 181 D. \$1, 027. 67 E. \$1, 127. 08 2. Timothy is considering an investment of \$10, 000. This investment is supposedly going to provide him with cash inflows of \$2, 500 in the first year and \$6, 000 a year for the following 2 years.

At a discount rate of zero percent this investment has a net present value (NPV) of \_\_\_\_\_, but at the relevant discount rate of 18 percent the project's NPV is: A. -\$1, 500; \$62. 03. B. -\$1, 500; \$79. 54. C. \$4, 500; \$62. 03. D. \$4, 500; \$79. 54. E. \$6, 000; \$98. 48. 3. A project has the following cash flows. What is the payback period? [pic] A. 2. 00 years B. 2. 05 years C. 2. 30 years D. 2. 64 years E. 2. 94 years 4. Deep South Sounds would like to spend \$189, 000 for new sound equipment. However, the company has a major loan maturing 3 years from today and needs this money at that time to avoid bankruptcy.

The sound equipment is expected to increase the cash flows by \$45, 000 in the first year, \$92, 400 in the second year, and \$40, 000 a year for the following 3 years. Should Deep South buy the sound equipment at this time? Why or why not? A. yes; because the money will be recovered within 2 years B. yes; because the money will be recovered within the required 3 years C. no; because the project never pays back D. no; because the money will not be recovered in time to pay the loan E. doesn't matter; because they lose money either way 5. A project has the following cash flows.

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What is the internal rate of return? [pic] A. 20. 32 percent B. 21. 32 percent  
C. 21. 54 percent D. 22. 02 percent E. 22. 85 percent 6. You are considering  
the following two mutually exclusive projects. The crossover point is \_\_\_\_\_  
percent. [pic] A. 11. 39 B. 12. 18 C. 14. 42 D. 15. 20 E. 15. 69 7. E & P Global  
is reviewing a project that has an initial cost of \$18, 000. The project will  
produce cash inflows, starting with year 1, of \$4, 500, \$5, 600, \$7, 800, and  
finally in year 4, \$5, 900. What is the profitability index if the discount rate is  
12 percent? A. . 99 B. 1. 01 C. 1. 06 D. 1. 08 E. 1. 12