

“We are not a speculator but investor”

Eco352 Finance  
In-class activity- Ch. 13 Capital Budgeting

Name \_\_\_\_\_

Year (t)	Expected after tax net cash flows	
	Project S	Project L
0	\$(3,000)	\$(3000)
1	1,500	400
2	1,200	900
3	800	1,300
4	300	1,500

1. Using the NPV (Net present value) technique, determine which project is acceptable.  
( $r = 10\%$ )

2. Using the IRR (Internal rate of return) technique, determine which project is acceptable.

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3. Using Payback period, determine which project is acceptable.

4. Using discounted payback period, determine which project is acceptable.