

QUESTION 2 & ANSWER

QUESTION: A company is considering two investment opportunities. The first investment requires an initial outlay of \$100,000 and is expected to generate cash flows of \$30,000 per year for 5 years. The second investment requires an initial outlay of \$150,000 and is expected to generate cash flows of \$40,000 per year for 5 years. The company's cost of capital is 10%.

