

# QUESTION

1. A company is considering a new investment project. The project has a 5-year life and is expected to generate the following cash flows:

Year	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Initial Investment	(100)					
Operating Cash Flow		30	40	50	60	70
Salvage Value						20

Required:  
1. Calculate the NPV of the project.  
2. Calculate the IRR of the project.



Year	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Initial Investment	(100)					
Operating Cash Flow		30	40	50	60	70
Salvage Value						20



# ANSWER

1. NPV = -100 + 30/(1.1)^1 + 40/(1.1)^2 + 50/(1.1)^3 + 60/(1.1)^4 + (70+20)/(1.1)^5 = 10.5