

## BEM 103 Introduction to Finance - Homework 2

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The net cash flow of each year is  $(1) + (4) + (6) + (8) - (9) - (12)$ , i.e.,  $(7) + (10) + (13)$ .

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
(7) Total investment	-260.00		-6.32	-8.65	3.75	192.98
(10) Depreciation		20.00	32.00	19.20	11.52	11.52
(13) Net income		19.80	28.51	56.31	44.60	20.16
(*) net cash flow $[(7) + (10) + (13)]$	-260.00	39.80	54.19	66.86	59.87	224.66

These are all nominal cash flows. The nominal discount rate is 10%. Then

$$\text{NPV} \approx -260 + \frac{39.80}{1.1} + \frac{54.19}{1.1^2} + \frac{66.86}{1.1^3} + \frac{59.87}{1.1^4} + \frac{224.66}{1.1^5} \approx 51.59,$$

in thousands dollars.