

BEM 103
Introduction to Finance
Fall 2001/2
Homework 2
Suggested Solutions

Here are the cash flows, per year:

Cash flow	Year					
	0	1	2	3	4	5
Sales revenue (+)	0	100.00	163.20	249.72	212.20	129.90
Operating costs (-)	0	-50.00	-88.00	-145.20	-133.10	-87.84
Taxes (-)	0	-10.20	-14.69	-29.01	-22.98	-10.38
Investments (-)	-260.00	0	-6.32	-8.65	3.75	192.98
Total	-260.00	39.80	54.19	66.86	59.87	224.66

NPV:

$$NPV = -260.00 + 39.80/1.1 + 54.19/1.1^2 + 66.86/1.1^3 + 59.87/1.1^4 + 224.66/1.1^5 = 51.59.$$