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Unit 6 Assignment: CapEx Replacement

Due Date: Sunday of Unit 6

Total Points: 100

Overview:

Wicked Good Cupcakes (WGC) expanded 1 year ago with the purchase of 3 baking/packaging systems. A vendor, Acme Baking, has suggested that there would be significant cost savings by the purchasing and installation of their newer integrated baking technology. The existing systems and Acme's proposed integrated baking technology have an expected useful life of 10 years, with no salvage value. WGC tax rate is 45% and their IRR is 10%.

Here is a summary of the financials:

	Present System	Acme Baking
Gross Profit	\$600,000	\$1,200,000
Less Depreciation	\$300,000	\$450,000
Profit before tax	\$300,000	\$750,000
Tax @ 45%	\$135,000	\$338,000
Profit After Tax	\$165,000	\$412,000
Add Depreciation	\$300,000	\$450,000
After Tax cash flow	\$465,000	\$862,000

Instructions:

Based on the unit's material and what you have read above:

1. Should WGC invest in Acme's technology; base your decision on determining the NPV as well as difference in cash flows between the present system and Acme's new technology.
2. Does the increase in Gross Profit alone justify the new technology?

Requirements:

- Length: two to three-page narrative of your findings and observations
- All questions posed must be addressed completely.
- All sources used must be properly cited in APA format.

Be sure to read the criteria, by which your assignment will be evaluated, before you write, and again after you write.

Evaluation Rubric for Unit 6 Assignment

CRITERIA	Exemplary <i>(14 – 15 Points)</i>	Proficient <i>(10 – 13 Points)</i>	Deficient <i>(0 – 9 Points)</i>
Overview of the Current vs. Future Investment in Technology	The cash flow statement is clearly presented including all key details.	The cash flow statement is presented, though key details may not be clearly or completely presented.	Does not provide the cash flow statement or the overview is missing key details.
	<i>(23 – 25 Points)</i>	<i>(16 – 22 Points)</i>	<i>(0 – 15 Points)</i>
Evaluation of Net Present Value	The evaluation of net present value is clearly presented including all key details.	The evaluation of net present value is presented, though key details may not be clearly or completely presented.	Does not provide the evaluation of net present value or is missing key details.
Evaluation of Cash Flows	The evaluation of cash flows is clearly presented including all key details.	The evaluation of cash flows is presented, though key details may not be clearly or completely presented.	Does not provide evaluation of cash flows or the evaluation is missing key details.
Evaluation of Gross Profit In Both Scenarios	The evaluation of gross profit in both scenarios is clearly presented including all key details.	The evaluation of gross profit in both scenarios is presented, though key details may not be clearly or completely presented.	Does not provide evaluation of gross profit in both scenarios or the evaluation is missing key details.
	<i>(9 – 10 Points)</i>	<i>(7 – 8 Points)</i>	<i>(0 – 6 Points)</i>
Clear and Professional Writing and APA Format	Writing and format is clear, professional, APA compliant, and error free.	Few errors that do not impede professional presentation.	Errors impede professional presentation; guidelines not followed.



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