

Unit 4 Assignment: Analyzing Cash Flows

Due Date: 11:59 pm EST Sunday of Unit 4

Points: 100

Overview:

Congratulations! You have moved up to the XYZ Corps Financial Team. For your first assignment as part of team you are asked to compare 3 potential capital investments.

Instructions:

Each project has a 10-year life span with no residual value. The initial investment on each is \$15,000. The Weighted Average Cost of Capital (WACC) is 5% for each project as well. The difference between the projects is cash flows.

- Project 1 has a steady stream of cash flows, \$2,000 annually throughout its life.
- Project 2's cash flows start with \$2,450 per year but decrease by \$100 per year throughout its life.
- Project 3 starts with \$1,550 in year one but increases by \$100 per year throughout its life.

Using the NPV method, determine which investment is the better capital investment and please explain why.

Requirements:

- Submit a Word document or Excel spreadsheet.
- At least 1 page in length.

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

Evaluation Rubric for Unit 4 Assignment

CRITERIA	Deficient	Needs Improvement	Proficient	Exemplary
	0 – 20 points	21 – 27 points	28– 34 points	35 points
Which is the better investment	The NVP method is applied incorrectly or missing.	The NVP method is applied but missing key details.	The NVP method is applied but missing minor details.	The NVP method is applied correctly, demonstrating the better investment.
Rationale as to why it is better	The rationale is missing or incorrect.	The rationale is present but missing key details.	The rationale is present but missing minor details.	The rationale is complete and well-thought out.
	0 – 8 points	9 – 11 points	12 – 14 points	15 points
Paper Length	Less than one page.	n/a	n/a	At least one page.
Clear and Professional Writing	Errors impede professional presentation.	Significant errors that do not impede professional presentation.	Few errors that do not impede professional presentation.	Writing and format are clear, professional, and error-free.