Sunk costs

based on page pg. 309

Project II Capital Budgeting

Prepare financials detailing the relevant cash flows of this project. Calculate NPV, IRR and Payback. Attach as Exhibit A

Prepare a full one page, single-spaced executive summary with your recommendation. Get right to the point with your recommendation early in the first paragraph. The decision at hand is whether or not to invest in this project.

yes, - do project because ...

Be sure to use NPV, IRR, and Payback in your explanation. Be concise in your recommendation and give brief, but thorough explanations of what the project NPV, IRR, Payback results mean to the company. Without wasting words, concisely walk the decision maker through the correct logic for evaluating the project based on the resulting NPV, IRR and Payback calculations. Hint: I will be looking to see how well you understand the concepts and will be judging your ability to explain the financial results to a non-finance audience.

Explain if your recommendation depends on whether or not the investment in this project is mutually exclusive. - yes

Include a paragraph showing a sensitivity analysis using one or two critical assumptions in your analysis and explain how that would or would not change the result and your recommendation.

chapter 9 review - Investigation of what happens to NPV when one variable is changed different went down 10% etc

If 9% less or more what happens to project what sales down 9% still have positive NPV

ie if 20% not MACRS use straight line depreciation

Initial investment cost 20% more how does that affect sensitivity

if sales are down by 9% what happens

book example 15% plus or minus