



**STUDYDADDY**

**Get Homework Help  
From Expert Tutor**

**Get Help**

Directions: Answer the following questions on a separate document. Explain how you reached the answer or show your work if a mathematical calculation is needed, or both. Submit your assignment using the assignment link in the course shell. This homework assignment is worth 100 points.

**Use the following information for Questions 1 through 3:**

Assume you are presented with the following mutually exclusive investments whose expected net cash flows are as follows:

EXPECTED NET CASH FLOWS:

Year	Project A	Project B
0	-\$400	-\$650
1	-528	210
2	-219	210
3	-150	210
4	1,100	210
5	820	210
6	990	210
7	-325	210

1. (a) What is each project's IRR?  
(b) If each project's cost of capital were 10%, which project, if either, should be selected? If the cost of capital were 17%, what would be the proper choice?
2. (a) What is each project's MIRR at the cost of capital of 10%? At 17%? (Hint: Consider Period 7 as the end of Project B's life.)
3. What is the crossover rate, and what is its significance?

**Use the following information for Question 4:**

The staff of Porter Manufacturing has estimated the following net after-tax cash flows and probabilities for a new manufacturing process:

Line 0 gives the cost of the process, Lines 1 through 5 give operating cash flows, and Line 5\* contains the estimated salvage values. Porter's cost of capital for an average-risk project is 10%.

## Net After-Tax Cash Flows

Year	P = 0.2	P = 0.6	P = 0.2
0	-\$100,000	-\$100,000	-\$100,000
1	20,000	30,000	40,000
2	20,000	30,000	40,000
3	20,000	30,000	40,000
4	20,000	30,000	40,000
5	20,000	30,000	40,000
5*	0	20,000	30,000

4. Assume that the project has average risk. Find the project's expected NPV. (Hint: Use expected values for the net cash flow in each year.)



**STUDYDADDY**

**Get Homework Help  
From Expert Tutor**

**Get Help**