Spring 2012 Final

All B

P3

$$NPV = -5{,}000{,}000 + \left(\frac{100{,}000}{r\left(\frac{1}{12}\right) - .004}\right)\left(1 - \left(\frac{1.004}{1+r\left(\frac{1}{12}\right)}\right)^{55}\right)\left(\frac{1}{1+r\left(\frac{1}{12}\right)}\right)^{5}$$

$$r\left(\tfrac{1}{12}\right) = (1+r(1))^{\frac{1}{12}} - 1$$

$$r(1) = r = .012 + .7(8 - .012)$$