

QUESTION

1. A company is considering a new investment project. The project requires an initial investment of \$100,000 and is expected to generate cash flows of \$30,000 per year for 5 years. The cost of capital is 10%.



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ANSWER

Year	Initial Investment	Annual Cash Flow
0	-\$100,000	
1		\$30,000
2		\$30,000
3		\$30,000
4		\$30,000
5		\$30,000

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