1) A project that provides annual cash flows of $12,700 for 12 years costs $68,120 today. At what rate would you be indifferent between accepting the project and rejecting it?

A) 15.28 percent
B) 15.25 percent
C) 15.23 percent
D) 15.17 percent
E) 15.14 percent

2) For one project, the cash flows are estimated as follows. Based on the internal rate of return (IRR), should this project be accepted if the required return is 9 percent.

YEAR	CASH FLOW
0	$5,600
1	-$6,100

A) Accept the project.
B) Reject the project.
C) The IRR cannot be used to evaluate this type of project.
D)The firm should be indifferent to either accepting or rejecting this project.
E) Insufficient information is provided to make a decision based on IRR.

3) A company is debating on taking a project that has cash flows below. If a 3.2 year discounted payback period is required and the required rate of return is 7%, will the company accept or reject the project?

YEAR	CASH FLOW
0	-$2,200
1	$500
2	$1200
3	$700
4	$400

A) Accept since discounted payback period is 0.17 years more than cutoff
B) Reject since discounted payback period is 0.17 years more than cutoff
C) Accept since discounted payback period is 0.17 years less than cutoff
D) Reject since discounted payback period is 0.17 years less than cutoff

4) The relevant discount rate for the following cash flows is 14%. What is the profitability index?

YEAR	CASH FLOW
0	-$9500
1	$5200
2	$3200
3	$4100

A) 1.01
B) 1.02
C) 1.03
D) 1.04

5) Consider the following two mutually exclusive projects:

YEAR	PROJECT A CASH FLOW	PROJECT B CASH FLOW
0	-$318,844	-$27,476
1	$27,700	$9,057
2	$56,000	$10,536
3	$55,000	$11,849
4	399,000	$13,814

The required return is 15 percent for both projects. Which one of the following statements related to these projects is correct?

A)Because both the IRR and the PI imply accepting Project B, that project should be accepted.
B) The profitability rule implies accepting Project A.
C) The IRR decision rule should be used as the basis for selecting the project in this situation.
D) Only NPV implies accepting Project A.
E) NPV, IRR, and PI all imply accepting Project A.

6) You are considering a project with conventional cash flows and the following characteristics:

Internal Rate of Return: 12%
Profitability Ratio: 1.05
Net Present Value: $980
Payback Period: 3 years

Which of the following statements is correct given this information?

I. The discount rate used in computing the net present value was less than 12 percent.

II. The discounted payback period must be less than 3 years.

III. The discount rate used in the computation of the profitability ratio was 12 percent.

IV. This project should be accepted as the internal rate of return exceeds the required return.

A) I and II only
B) III and IV only
C) I, II, and IV only
D) II, III, and IV only
E) I, II, III, and IV

7) *An investment has a cost of* $\$300,000$. *The cash flows over a* 6 *year life are projected to be* $\$180,000$, $\$118,800$, $\$85,536$, $\$66,718$, $\$56,043$ *and* $\$50,439$ *respectively*. (*lyryx*)

a) *If the discount rate is zero, what is the NPV?*

b) *If the discount rate is infinite, what is the NPV?*

8) *An investment project costs* $\$7000$ *and has annual cash inflows of* $\$1500$ *for* 7 *years. What is the discounted payback period if the discount rate is* 15%? (*lyryx*)