

	A	B	C	D	E
1	[Student Name]				
2	Spreadsheet Problem 2: Capital Budgeting Analysis			[NOTE: THIS PAGE SHOWS WHAT YOUR RESULT SHOULD TEND TO LOOK LIKE, BUT IT IS BASED ON VALUES DIFFERENT FROM THOSE ASSIGNED. ENTER THE COST/CASH FLOW/WACC VALUES SHOWN HERE AS INPUTS AND MAKE SURE YOU AUTOMATICALLY GET THE WORKING AND OUTPUT VALUES SHOWN, AND THEREBY WILL HAVE CONFIDENCE THAT YOUR TEMPLATE IS CORRECT BEFORE YOU ENTER THE ASSIGNED NUMBERS AS INPUT VALUES.]	
3					
4	INPUT VALUES		Project A	Project B	
5	Expected Cost of Equipment	\$155,000.00	\$112,000.00		
6	Expected Annual Net Cash Flow	\$41,000.00	\$30,000.00		
7	Expected Life of Project in Years	6	6		
8	Weighted Average Cost of Capital	13.500%	13.500%		
9					
10	WORKING AND OUTPUT VALUES				
11	Period	Project A	Project B		
12	0	-\$155,000.00	-\$112,000.00		
13	1	\$41,000.00	\$30,000.00		
14	2	\$41,000.00	\$30,000.00		
15	3	\$41,000.00	\$30,000.00		
16	4	\$41,000.00	\$30,000.00		
17	5	\$41,000.00	\$30,000.00		
18	6	\$41,000.00	\$30,000.00		
19					
20	Net Present Value	\$6,642.69	\$6,275.14	Accept both; NPV's > 0	
21					
22	Internal Rate of Return	15.039%	15.507%	Accept both; IRR's > 12% WACC	
23					
24	Modified Internal Rate of Return	14.297%	14.536%	Accept both; MIRR's > 12% WACC	
25					
26					
27	<u>Addendum: Computation of MIRR's With Formula</u>				
28					
29	For Project A:		Compounding	Compounded	
30	Period	Cash Flow	Periods	Value of Inflows	
31	1	\$41,000.00	5	\$77,225.93	
32	2	\$41,000.00	4	\$68,040.47	
33	3	\$41,000.00	3	\$59,947.55	
34	4	\$41,000.00	2	\$52,817.23	
35	5	\$41,000.00	1	\$46,535.00	
36	6	\$41,000.00	0	\$41,000.00	
37					
38		Terminal Value of Inflows		\$345,566.18	
39		Initial Outlay		\$155,000.00	
40					
41			MIRR	14.297%	
42					
43	For Project B:		Compounding	Compounded	
44	Period	Cash Flow	Periods	Value of Inflows	
45	1	\$30,000.00	5	\$56,506.78	
46	2	\$30,000.00	4	\$49,785.71	
47	3	\$30,000.00	3	\$43,864.06	
48	4	\$30,000.00	2	\$38,646.75	
49	5	\$30,000.00	1	\$34,050.00	
50	6	\$30,000.00	0	\$30,000.00	
51					
52		Terminal Value of Inflows		\$252,853.30	
53		Initial Outlay		\$112,000.00	
54					
55			MIRR	14.536%	
56					