EEFM 6th Sem _ Quiz-2 (26/04/2021) (Copy)

1

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Question *
(0.5 Points)

	Alt 1	Alt2
Initial cost ($)	-150000	-250000
Annual income ($)	20000	40000
Annual expenses ($)	-9000	-14000
Salvage value ($)	25000	35000
Life, years	3	6

i=15% per year

In comparing alternatives 1 and 2 by the present worth method, the equation that y
present worth of alternative 2 is:

- PW = -250,000 -26,000(P/A, 15%, 6) + 35,000(P/F, 15%, 6)
- PW = 250,000 +26,000(P/A, 15%, 6) + 35,000(P/F, 15%, 6)
- PW = -250,000 + 40,000(P/A, 15%, 6) + 35,000(P/F, 15%, 6)
- PW = -250,000 + 26,000(P/A, 15%, 6) + 35,000(P/F, 15%, 6)

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Capitalized cost: *
(0.5 Points)

- is a special kind of present worth analysis that chooses between alternatives with different

durations.

is also called a perturbuity.

is the NPV of a perpetual series of cash flows.

is a cash flow series that allows the principal to be withdrawn every year and the amortization will always remain.

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A donor wishes to start an endowment that will provide scholarship money of $40,000 every year beginning in year 5 and continuing indefinitely. If the university earns 10% per year on the endowment, the amount you must donate now is closest to: *
(0.5 Points)

$293,820

$248,360

$273,200

$225,470

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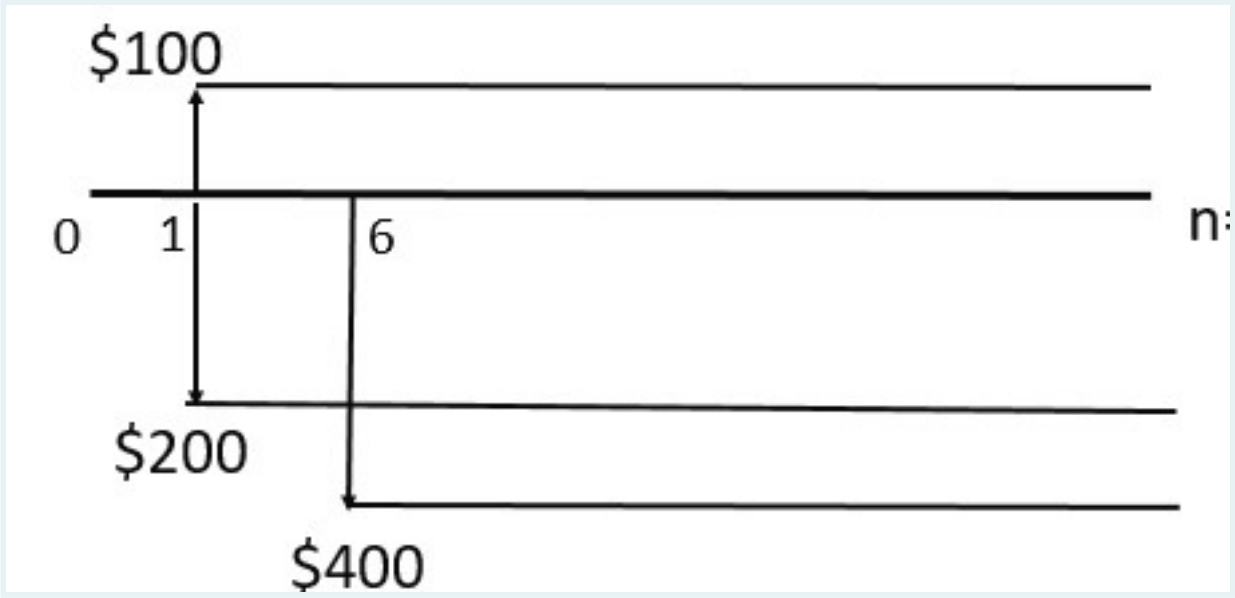
Which of the following is the equation for capitalized cost for CFD given below? (interest rate = 10%) *
(0.5 Points)



- (-100 / 0.1) + (200 / 0.1) + (400/ 0.1)(P/F, 10%,6)
- (-100 / 0.1) + (400/ 0.1)(P/F, 10%,5)
- (100 / 0.1) + (400/ 0.1) (P/F, 10%,6)
- (100 / 0.1) + (400/ 0.1)(P/F, 10%,5)

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A project would be attractive if _____ *
(0.5 Points)

- All of the above
- Net Future Worth is Negative.
- Net Present Worth is Positive
- Equivalent Uniform Annual Worth is Negative.

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The capitalized cost of a cash flow series of Rs. 25,000 occurring once in every two years is nearest to _____ (Assume an interest rate of 10 % p.a.) *
(0.5 Points)

- 20660

- 250000
- 25000
- 119050

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Which statement is true about Present Worth? *
(0.5 Points)

- Present Worth Analysis is done to maximize the NPV of a combination of financing and investment activities
- Present Worth is the comparable equivalent value at the present time of a future sum, or a set of future sums, independent of discount rate.
- Present worth analysis compares the net present value of multiple mutually inclusive options.
- Present worth includes all the incomes and expenditures, including costs before the present time.

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Question *
(0.5 Points)

	Machine X	Machine Y
Initial cost, $	-80,000	-95,000
Annual operating cost, $ per year	-20,000	-15,000
Salvage value, $	10,000	30,000
Life, years	2	4

The equation that will calculate the present worth of machine X based on the PW m
interest rate is:

- PW X= -80,000- 15,000(P /A ,10%,4) -30,000(P/F ,10%,4)
- PW X = -80,000 - 20,000(P/A ,10%,2) -10,000(P/F ,10%,4)
- PW X = -80,000 - 20,000(P/A ,10%,4) -70,000(P/F ,10%,2) +10,000(P/F ,10%,4)

PW X= -80,000 -20,000(P/A ,10%,4) -80,000(P/F ,10%,2) +10,000(P /F ,10%,4)

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Which of the following is NOT the equation for capitalized cost, when the cash flow is $1,000 every 5 years forever, starting now at an interest rate of 10% per year *
(0.5 Points)

1000 + [1000(A/F, 10%, 5)] / 0.1

1000 + 1000(P/F, 10%, 5) + [1000(A/F, 10%, 5) (P/F, 10%,5)] / 0.1

[1000(A/P, 10%, 5)]/ 0.1

[1000(A/F, 10%, 5)] / 0.1

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*
(0.5 Points)

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i=15% per annum

When a study period is considered for a time period of 5 years, the market value f
he end of year 2 is given as 80,000, the equation that yields the present worth of alte

-150000+11000(P/A,i,6)-150000(P/F,i,3)+25000(P/F,i,3)

-150000+11000(P/A,i,3)-125000(P/F,i,3)+80000(P/F,i,2)

-150000+11000(P/A,i,5)-125000(P/F,i,3)+80000(P/F,i,5)

-150000+11000(P/A,i,5)-125000(P/F,i,3)+80000(P/F,i,2)