

GSOE 9830 Questions for Week 3 Topics, 2025

Dear Students

Before the next lecture I invite you to write down your answers to the questions set out below.

Please do not attempt to submit your answers. They are intended for you to self-assess your understanding of some of the material discussed in the previous lecture.

Regards, Guy

1. Give the Excel NPV function for the net cash flow below. Assume a discount rate of 10%.

Time	End1	End2	End3	End4	End5
NCF(\$)	-100	150	100	70	-50
Cells	A6	B6	C6	D6	E6

2. Give two different versions of the Excel NPV formula for the net cash flow below. Assume a discount rate of 10%.

Time	0	End1	End2	End3	End4
NCF(\$)	-100	150	100	70	-50
Cells	A6	B6	C6	D6	E6

3. What is the future value at the end of year 7 of \$100 received today? Assume a compound rate of 10%.
4. In what ways do we use NPVs in practice?
5. The NPV for the seller of a project is \$23MM. Why should a company considering buying the project pay this given that it is paying \$23MM for a project that is worth \$23MM ?
6. A project has an NPV of \$53 million. What does this mean?
7. A decision maker asks you to use a 25% nominal discount rate for economic evaluations. He or she says "I want all my projects to earn at least a 25% return". How should you respond?
8. What are the main properties of an NPV?