Net Present Value

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Module 3: Net Present Value

	Amount	Present Value Factor @ 12%	Present Value =PVF*Amount
Return at end of Year 1	$ -	0.893	$ -
Return at end of Year 2	-	0.797	$ -
Return at end of Year 3	40,000	0.712	$ 28,480
Return at end of Year 4	40,000	0.636	$ 25,440
Return at end of Year 5	40,000	0.567	$ 22,680
Return at end of Year 6	40,000	0.507	$ 20,280
Return at end of Year 7	400,000	0.452	$ 180,800
Total present value			$ 277,680
Net Present Value(NPV) = Total Present Value(TPV) - Investment			$ 27,680

The net present value results from calculations different between the investment and PV that helps to company make better decisions as the Chedar company's capital budgeting shows positive NPV indicating that the projected earnings that investment would generate means. I think investors want to earn money today, not tomorrow or in the future; this is not great tendering. Yes, NPV is positive, but it is not a reason to invest for me. If interest is high, that means high risk. Also, they can not pay for a few years. High interest earning is lower than low interest. Low interest implies the company will start payment sooner that project later than late.